FOIA Number: 2019-0203-F

FOIA MARKER

This is not a textual record. This is used as an administrative marker by the William J. Clinton Presidential Library Staff.

Collection/Record Group: Clinton Presidential Records

Subgroup/Office of Origin: National Economic Council

Series/Staff Member: Thomas Kalil

Subseries:

OA/ID Number: 24550

FolderID:

Folder Title:
Digital Divide - Tax

Stack:	Row:	Section:	Shelf:	Position:
S	19	5	9	2

Withdrawal/Redaction Sheet
Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. list	re: October 6, 2000 Meeting [Personally Identifiable Information] [partial] (1 page)	10/04/2000	b(6)

COLLECTION:

Clinton Presidential Records
National Economic Council
Thomas Kalil
OA/Box Number: 24550

FOLDER TITLE:

Digital Divide - Tax

2019-0203-F
jm2844

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P1 National Security Classified Information [(a)(1) of the PRA]
P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P3 Release would violate a Federal statute [(a)(3) of the PRA]
P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [a)(5) of the PRA]
P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.
PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).
RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

b(1) National security classified information [(b)(1) of the FOIA]
b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

the 20 Round II empowerment zones). The credit rate would remain at 20 percent (rather than being phased down) through December 31, 2009, in all empowerment zones.

Third, an additional $35,000 (rather than $20,000) of section 179 expensing would be available for qualified zone property placed in service after December 31, 2000, and prior to December 31, 2009, by a qualified business in any of the empowerment zones.[7]

Fourth, the Secretaries of Housing and Urban Development (HUD) and Agriculture would be authorized to designate 10 additional empowerment zones (to be referred to as "Round III empowerment zones"). Eight of these Round III empowerment zones would be located in urban areas, and two would be located in rural areas. The eligibility and selection criteria for the 10 Round III empowerment zones would be the same as the criteria that applied to the Round II empowerment zones authorized by TRA '97. During the period 2002 through 2009, businesses located in the 10 Round III empowerment zones would be eligible for the 20-percent wage credit, an additional $35,000 of section 179 expensing, special tax-exempt financing benefits[8], and brownfields expensing.

The proposal would be effective after December 31, 2000.

BRIDGE THE DIGITAL DIVIDE

TAX CREDITS FOR SPONSORSHIP OF QUALIFIED ZONE ACADEMIES AND TECHNOLOGY CENTERS

Current Law

Pursuant to the Omnibus Budget Reconciliation Act of 1993 and the Taxpayer Relief Act of 1997, 31 empowerment zones and 95 enterprise communities have been designated under the Internal Revenue Code. Designated empowerment zones and enterprise communities are required to satisfy certain eligibility criteria, including specified poverty rates and population and size limitations. Special tax incentives are available for certain businesses located in an empowerment zone or enterprise community.

Under Section 1397E, State and local governments can issue qualified zone academy bonds to fund improvements in certain "qualified zone academies" which provide elementary or secondary education. Qualified zone academies must be located in either a designated

---

[7] The additional $35,000 of section 179 expensing would be available throughout all areas that are part of a designated empowerment zone, including the non-contiguous "developable sites" that were allowed to be part of the designated Round II empowerment zones under TRA '97.

[8] The Round III empowerment zones would be eligible for the same tax-exempt financing benefits that are available in the nine original empowerment zones designated under OBRA '93 and the two additional empowerment zones designated under TRA '97.

empowerment zone or enterprise community, or, if not, there must be a reasonable expectation that at least 35 percent of the students attending the academy will be eligible for free or reduced-cost lunches under the National School Lunch Act. No tax credits are currently available for corporate sponsorship payments to such academies, public libraries or community technology centers. Corporations may be able to deduct contributions to qualified zone academies, public libraries or community technology centers as charitable contributions.

Reasons for Change

To encourage private-sector support of, and participation in, educational programs conducted at qualified zone academies and to help bridge the digital divide, a tax credit should be provided for certain corporate sponsorship payments made to qualified zone academies, public libraries, and community technology centers located in empowerment zones or enterprise communities.

Proposal

This proposal would provide a tax credit equal to 50 percent of the amount of corporate sponsorship payments made to a qualified zone academy, or public library or community technology center, located in a designated empowerment zone or enterprise community. For purposes of the credit, a qualified zone academy would be treated as located in a designated empowerment zone or enterprise community if a significant percentage of its students reside in the zone or community. A public library or community technology center would be treated as located in a designated empowerment zone or enterprise community if it is adjacent to such a zone or community.

The credit would be available for corporate cash contributions, but only if a credit allocation has been made with respect to the contribution by the local governmental agency with responsibility for implementing the strategic plan of the empowerment zone or enterprise community under section 1391(f)(2). The local government agency for each of the existing 31 empowerment zones (and each of the 10 additional empowerment zones proposed under the Administration's budget) could designate up to $16 million of corporate sponsorship payments as eligible for the 50-percent credit (that is, up to $8 million of tax credits). In addition, up to $4 million of sponsorship payments would be eligible for the 50-percent credit (that is, up to $2 million of tax credits) for each of the enterprise communities. The deduction otherwise allowed for a corporate sponsorship payment would be reduced by the amount of the credit claimed for that payment. The proposed tax credit would be subject to the current-law general business credit rules, and would be effective for sponsorship payments made after December 31, 2000.

ENHANCED DEDUCTION FOR CORPORATE DONATIONS OF COMPUTERS

Current Law

The deduction for charitable contributions of ordinary income property is generally limited to the lesser of the taxpayer's cost basis in the property or fair market value. The Taxpayer Relief Act of 1997 provided an enhanced deduction for a three-year period for charitable contributions of computer technology or equipment to eligible donees to be used for educational purposes for elementary or secondary school children within the United States. Under this provision, the amount of the deduction is equal to the taxpayer's basis in the donated property plus one-half of the amount of ordinary income that would have been realized if the property had been sold. The enhanced deduction is limited to twice the taxpayer's basis in the donated property. To qualify for the enhanced deduction, the contribution must satisfy various requirements. This enhanced deduction provision is scheduled to expire for taxable years beginning after December 31, 2000.

Reasons for Change

This provision was enacted to provide an incentive for businesses to contribute computer equipment and software for the benefit of elementary and secondary school children by providing schools with needed technological resources. Given the growing importance of computers and the Internet, widespread access to technology is more important than ever. Therefore, the Administration believes the provision should be extended and expanded.

Proposal

The Administration proposes extending the current-law enhanced deduction for donations of computer technology and equipment through June 30, 2004. In addition, to promote access of all persons to computer technology and training, the enhanced deduction would be expanded to apply to contributions of computer equipment to a public library or community technology center located in a designated empowerment zone or enterprise community, or in a census tract with a poverty rate of 20 percent or more. The proposed modifications would be effective for contributions made after December 31, 2000 and before July 1, 2004.

TAX CREDIT FOR EMPLOYER-PROVIDED EDUCATION PROGRAMS IN WORKPLACE LITERACY AND BASIC COMPUTER SKILLS

Current Law

Workplace literacy and basic education expenses, including for basic computer skills, are deductible to employers, either as ordinary and necessary business expenses to the extent they are job-related or as employee compensation. If they are deemed to be compensation, the expenses are includible in the worker's gross income unless provided under a section 127 educational assistance plan or treated as a working condition fringe benefit. Under a section 127 plan, educational expenses other than for graduate education are excluded from an employee's gross income for income and employment tax purposes, up to $5,250 per year. (Section 127 expires with respect to courses beginning after December 31, 2001.) Educational expenses paid by an employer outside of a section 127 plan that are related to the employee's current job may be excludable from the employee's gross income as a working condition fringe benefit, but not if the education relates to certain minimum educational requirements or enables the employee to begin working in a new trade or business.

No credits generally are allowed to employers for workplace literacy, basic computer skills or other types of employee education expenses.

Reasons for Change

With the increasing technological level of the workplace of the 21st century, workers with low levels of education will fall farther behind their more educated coworkers and run greater risk of unemployment. Lower-skilled workers may not undertake needed education because they lack the time for the courses or the resources to overcome barriers such as cost, child care, and transportation. Moreover, their employers may hesitate to provide general education, because the benefits of basic skills and literacy education are more difficult for employers to capture through increased productivity than the benefits of job-specific education. Providing a credit will encourage employers to provide workplace literacy, basic education, and basic computer skill programs to their lower-skilled employees.

Proposal

Employers who provide certain workplace literacy, English literacy, basic education, and basic computer training programs for their eligible employees would be allowed to claim a credit against the employer's Federal income taxes. The amount of the credit would equal 20 percent of the employer's eligible expenses incurred with respect to qualified education programs, with a maximum credit of $1,050 in a taxable year per participating employee. The credit would be treated as a component of the general business credit, and would be subject to the limitations of that credit.

Qualified education would be limited to (1) basic skills instruction at or below the level of a high school degree; (2) basic, entry-level computer skills instruction of broad applicability; and (3) English literacy instruction. Eligible employees -- employees with respect to whom the employer could claim a credit -- would generally not have received a high school degree or its equivalent, or, for English literacy programs, would have limited English proficiency. The employer could claim a credit with respect to employees with high school degrees but who lack sufficient mastery of basic educational skills to function effectively in the workplace only if an eligible provider both assesses the educational level of the employees and provides the instructional program for the employer. Eligible employees must be citizens or resident aliens aged 18 or older who are employed by the taxpayer in the United States for at least six months. Terms such as qualified education and eligible employees will be further defined in Treasury regulations.

To be eligible for the credit, the provision of basic education, basic computer skills instruction, or literacy instruction by an employer must meet the nondiscrimination requirements for educational assistance programs under current-law section 127. If expenses for an education program are eligible for the credit, then the educational benefits provided to employees under that program would be treated as tax-free working condition fringe benefits under section 132(d).

Expenses eligible for the credit would include payments to third parties and payments made directly to cover instructional costs, including but not limited to salaries of instructors, curriculum development, textbooks, and instructional technology used exclusively to support basic skills instruction. Wages paid to workers while they participate as students in the education programs would not be eligible for the credit. The amount of the credit claimed reduces, dollar for dollar, the amount of education expenses that the employer may otherwise deduct in computing its taxable income.

Unless the employer provides the instruction through an eligible provider, the curriculum must be approved by a State adult education authority, defined as an "eligible agency" in section 203(4) of the Adult Education and Family Literacy Act. An "eligible provider" would be an entity that is receiving Federal funding for adult education and literacy services or English literacy programs under the Adult Education and Family Literacy Act, Title II of the Workforce Investment Act of 1998. Eligible providers include local education agencies, certain community-based or volunteer literacy organizations, institutions of higher education, and certain other public or private nonprofit agencies.

The proposal would be effective for taxable years beginning after December 31, 2000.

PROVIDE TAX CREDITS FOR HOLDERS OF BETTER AMERICA BONDS

Current Law

State and local governments may issue tax-exempt bonds without limit for environmental purposes so long as: 1) no more than 10 percent of the bond proceeds is used by private entities in a trade or business if payments or security associated with that use are available to pay interest and principal on the bonds; and 2) no more than 5 percent of the bond proceeds is lent to private businesses or individuals. If these private activity requirements are not met, tax-exempt private activity bonds may nonetheless be issued, subject to State-by-State volume caps, for the following environmental purposes: water, sewage, solid waste disposal, and hazardous waste facilities; environmental enhancements of hydro-electric generating facilities; and redevelopment infrastructure in blighted areas if the bonds are supported by incremental property taxes. The Federal subsidy indirectly provided by tax-exempt bonds is limited by market forces to the differential in interest rates between tax-exempt bonds and taxable bonds of similar risk and maturity. Deeper subsidies are provided by tax credit bonds, such as Qualified Zone Academy Bonds, the entire interest on which is paid in the form of tax credits.

Taxpayers are allowed to expense, rather than capitalize or amortize, certain environmental remediation costs with respect to certain areas referred to as "brownfields."

Reasons for Change

Significant public benefits are provided by protecting open spaces; creating forest preserves near urban areas; protecting water quality; rehabilitating land that has been degraded by toxic or other wastes or destruction of its ground cover; and improving parks and reestablishing wet lands. These benefits include creating more livable urban, suburban, and rural environments, protecting

August 24, 2000

The New Millennium Classroom Act

- **Purpose.** The purpose of the bill is to accelerate the availability of current computer technology in the nation's school systems through donations of new and previously owned computers. Enhancing tax incentives for donating to schools and libraries located in disadvantaged areas would effectively work to help eliminate the Digital Divide.

- **Broad Bi-Partisan Support.** The bill passed the Senate in early March 96 to 2. The House companion has 104 bi-partisan co-sponsors and a majority of the tax writing Ways and Means Committee.

- **Mechanics.** The bill would: (1) extend the age of computer equipment eligible for the current tax deduction from two to three years, (2) expand allowable donors to include OEMs or any reacquirer of the equipment, and (3) allow a tax credit equal to 30% of the retail value of the donated equipment with a 50% tax credit if the donation is a qualified disadvantaged area.

- **Eliminating the Digital Divide.** The bill can play a significant role in eliminating the Digital Divide. By providing an increased incentive for donation of computers to schools and libraries in disadvantaged areas the bill will create greater incentives to donate to areas most in need. According to a study by the Educational Testing Service (ETS) the ratio of multimedia computers to students is 1 to 32 in lower income areas. The national average is 1 to 22. The Department of Education, and more significantly, the President through his New Markets Digital Opportunity Tour, recommends a ratio of 1 multimedia computer to every 5 students. To achieve that goal, we have a great deal of work to do in the private, public and non-profit sectors. We can't have an educated populace if we leave a portion of the country behind. This has an impact on students now and the workforce down the line. It is estimated that starting this year, 60% of all jobs will require high-tech skills. We need an educated, computer savvy workforce.

- **Increase Donor Base.** The Computers for Schools Program, one of the largest recycling programs in the country, estimated that in 1999 only 2-4% of the computers donated were less than 3 years old. Current law does not sufficiently increase the donation of newer computers. The two-year limit is not long enough to encourage donation. Business cycles for the use of computers is approximately 5 years, changing the limit to 3 years will create an incentive for companies to donate computers earlier in that cycle.

- **Average Age of Computers in Schools.** The average age of computers in schools now is 7 years. Even if all the computers that were donated were 3 years old, this bill has the potential to cut the age of computers in schools by more than half. Additionally, it is worth noting that the bill does not preclude the donation of new computers.

- **Schools make the Decision.** The technology decision-making power remains in teacher's hands with this bill. Schools have the power under this bill to reject computers that do not fit their school's technology needs.

- **E-Rate Program.** Schools are being wired through the Schools and Libraries E-Rate program at $2.25 Billion a year – something needs to be at the other end of the wire. This bill would assist the overall effort of connecting schools to the Internet.

- **Capabilities of Three-Year-Old Computers.** Many three-year-old computers have more than sufficient specifications to meet schools need. For example, a 233/266 MHz Pentium I or II processor, a 56 K modem, a 3.2 Gig (or higher) Hard Drive and a CD-Rom are common on such systems. Simply put, it is a computer with sufficient capabilities to meet schools' needs – it has more than sufficient technical capabilities required to connect successfully to any educational Web site on the Internet or to run any educational software.

- **More Computers Are Needed.** We understand as well as anyone that more than just computers are needed to address the Digital Divide. Than is why we announced our Teach America! initiative. Nevertheless, according to a Fall 1999 Education Week survey, the number 1 reason teachers cited for not more fully utilizing digital educational content is not enough computers in the classrooms, with teacher training and Internet Access a distant second and third.

Question: Does the bill allow donor companies to take a deduction and a credit?

- **Answer:** No. Companies are limited to a deduction or the credit. There is no "double-dip" allowed.

Question: What is the cost of this bill to the Federal Government?

- **Answer:** The bill has been estimated by the Joint Committee on Taxation to cost $262 million over 5 years. While this number is not insubstantial, it is only a fraction of the $15 billion that the Rand Institute estimates would be required to provide schools with the technology needed to educate our students. While hardware, peripherals and software are not the only costs of increasing technology in schools, they provide a crucial component.

Question: The law was changed in 1997 to provide an enhanced deduction for the donation of two-year-old computers. Why do we need a tax credit?

- **Answer:** (i) Current law is too restrictive to effectively encourage donation of new or used computers; it does not provide sufficient incentives; the bill provides a 30% tax credit for donations of computers to schools and public libraries which when coupled with the lengthening of the allowable age from 2 to 3 years and allowing resellers to be eligible to receive the credit will increase the total number of computers donated to the targeted recipients; (ii) the average age of computers in schools is currently 7 years - the bill will encourage donation of computers and lower the average age of computers at schools by one half; (iii) three old computers are highly functional for sophisticated software applications, word processing and internet use; most are powered by powerful Pentium chip computers and have sufficient memory for these uses. Additionally, current law expires at the end of this year.

Question: How does this proposal vary from the President's recent "Digital Divide" initiative?

- **Answer:** The Administration's proposal essentially extends current law through 2004. Current law expires in 2000. While the intent of the President's proposal is positive, since the current law has not had Congress' intended effect, it is important to make the changes we propose in addition to extending current law.

Question: How does this bill relate to the e-rate program?

- **Answer:** This bill, while unrelated to the e-rate program, which provides funds to help wire schools and libraries to the Internet, complements the program. As you know, the federal government has committed to spending $2.25 Billion per year to wire schools and libraries to the Internet. Once wired, schools and libraries will need up-to-date hardware in order to access the Internet. This bill provides businesses with the incentive to donate hardware to schools so the dream of the e-rate program can be realized.

August 24, 2000

NEW MILLENNIUM CLASSROOMS ACT
COMMON QUESTIONS AND ANSWERS

Question: Will this bill promote the donation of old, out-of-date equipment to schools?

- **Answer:** No. The bill allows for the donation of new or used computers that are up to three years old. If the New Millennium Classrooms Act were to pass this year, the vast majority of computers donated would be high-power Pentium chip multi-media computers capable of utilizing sophisticated educational software and accessing the Internet.

  Currently, the average age of computers in schools is seven years old. Even the oldest computers donated under this bill will decrease the age of computers in schools by more than half. This is significant because many of the older computers currently in schools are inadequate to operate the type of educational software that teachers use and are not powerful enough to connect to the Internet and popular educational Web sites. In other words, many of the computers currently in use in schools end up being stand-alone computers inadequate for many of the purposes teachers currently seek their use.

Question: Will this bill create a situation where schools that are already over-burdened with issues relating to how to set-up, network, utilize and maintain computers in their classrooms have computers dumped on them by corporations eager to benefit from the credit or deduction?

- **Answer:** A school or library has the choice of whether or not to accept a donation. They have the ability to turn down any donation, which overburdens their system, or which they feel would not be beneficial. This will allow schools to reject donations that would be costly to integrate into their current system and will prevent any so-called over donation. Additionally, the bill has the potential to increase the incentive for organizations to donate a larger number of computers thus decreasing the number of piece-meal donations.

  Access to donated computers will free a school's technology budget for the costs associated with networking, maintaining their systems, teacher training, and related initiatives.

Question: How does this bill address the issue of teachers not having adequate training to be able to effectively teach with computers?

- **Answer:** The bill allows schools to stretch their limited technology budgets. If a school gets computers donated free of charge, they can use their technology budgets for things such as teacher training or Internet wiring. Moreover, we at Gateway, and other high tech industry leaders, are stepping up to the plate to assist with teacher training.

Question: With the credit provided under this bill, won't it be more lucrative for a company to donate a computer than sell it on the resale market?

- **Answer:** The simple answer to this question is NO. There is a well-established secondary market for used computers. There is even a "blue book" called the Orion Blue Book, which establishes the value. But, our statistics show that an entity that donates a computer will receive less than the amount they would receive from the sale of the used computer.

Question: Why is there an enhanced credit for empowerment zone donations?

- **Answer:** The bill would provide an enhanced 50% credit for donations to schools or public libraries in empowerment zones, enterprise communities and Indian reservations located in empowerment zones, thereby targeting donations to areas with the highest need. Statistics show that children in lower income areas have less access to computers both at home and in their schools. School access to computers in the targeted areas could make the difference between a child ultimately becoming a productive part of the new millennium's economy or becoming frustrated and disenfranchised.

SEC. 105. EXCLUSION OF EFFECTS OF THIS TITLE FROM PAYGO SCORECARD.

Upon the enactment of this title, the Director of the Office of Management and Budget shall not make any estimates of changes in receipts under section 252(d) of the Balanced Budget and Emergency Deficit Control Act of 1985 resulting from the enactment of this title.

TITLE II—NEW MILLENNIUM CLASSROOMS

SEC. 201. CREDIT FOR COMPUTER DONATIONS TO SCHOOLS, SENIOR CENTERS, PUBLIC LIBRARIES, AND OTHER TRAINING CENTERS.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 (relating to business related credits) is amended by adding at the end the following new section:

"SEC. 48D. CREDIT FOR COMPUTER DONATIONS TO SCHOOLS, SENIOR CENTERS, PUBLIC LIBRARIES, AND OTHER TRAINING CENTERS.

"(a) GENERAL RULE.—For purposes of section 38, the computer donation credit determined under this section is an amount equal to 50 percent of the qualified computer contributions made by the taxpayer during the taxable year as determined after the application of section 170(e)(6)(A) to any entity located in—

"(1) a renewal community designated under section 1400E,

"(2) an empowerment zone or enterprise community designated under section 1391,

"(3) an Indian reservation (as defined in section 168(j)(6)), or

"(4) a low-income community (as defined in subsection (e).

"(b) QUALIFIED COMPUTER CONTRIBUTION.—For purposes of this section, the term 'qualified computer contribution' has the meaning given the term 'qualified elementary or secondary educational contribution' by section 170(e)(6)(B), except that—

"(1) clause (ii) thereof shall be applied—

"(A) by substituting '3 years' for '2 years',

"(B) by inserting 'or reacquired' after 'acquired', and

"(C) by inserting 'for the taxpayer's own use' after 'constructed by the taxpayer',

"(2) clause (iii) thereof shall be applied by inserting ', the person from whom the donor reacquires the property,' after 'the donor',

"(3) such term shall include the contribution of a computer (as defined in section 168(i)(2)(B)(ii)) only if computer software (as defined in section

197(e)(3)(B)) that serves as a computer operating system has been lawfully installed in such computer,

"(4) notwithstanding clauses (i) and (iv) of section 170(e)(6)(B), such term shall include the contribution of computer technology or equipment to—

"(A) multipurpose senior centers (as defined in section 102(35) of the Older Americans Act of 1965 (42 U.S.C. 3002(35), as in effect on the date of the enactment of the American Community Renewal and New Markets Empowerment Act) described in section 501(c)(3) and exempt from tax under section 501(a) to be used by individuals who have attained 60 years of age to improve job skills in computers,

"(B) a public library (within the meaning of section 213(2)(A) of the Library Services and Technology Act (20 U.S.C. 9122(2)(A), as in effect on the date of the enactment of the American Community Renewal and New Markets Empowerment Act) established and maintained by an entity described in section 170(c)(1), or

"(C) an organization exempt from tax under section 501(a) which provides employment, vocational, and job-training services to individuals with barriers to employment, including welfare recipients and individuals with disabilities, and

"(5) such term shall only include contributions which meet the minimum standards prescribed by the Secretary by regulation, after consultation, at the option of the Secretary, with the National Telecommunications and Information Agency and any other Federal agency with expertise in computer technology.

"(c) LOW-INCOME COMMUNITY.—For purposes of this section—

"(1) IN GENERAL.—The term 'low-income community' means any population census tract if—

"(A)(i) the poverty rate for such tract is at least 20 percent, or

"(ii)(I) in the case of a tract not located within a metropolitan area, the median family income for such tract does not exceed 80 percent of statewide median family income, or

"(II) in the case of a tract located within a metropolitan area, the median family income for such tract does not exceed 80 percent of the greater of statewide median family income or the metropolitan area median family income, and

"(B) the unemployment rate for such tract, as determined by the most recent available data, was at least $1\frac{1}{2}$ times the national unemployment rate for the period to which such data relate.

"(2) AREAS NOT WITHIN CENSUS TRACTS.—In the case of an area which is not tracted for population census tracts, the equivalent county divisions (as defined by the Bureau of the Census for purposes of defining poverty areas) shall be used for purposes of determining poverty rates, median family income, and unemployment rates.

"(d) CERTAIN RULES MADE APPLICABLE.—For purposes of this section, rules similar to the rules of paragraphs (1) and (2) of section 41(f) shall apply.

"(e) TERMINATION.—This section shall not apply to taxable years beginning after December 31, 2009.".

(b) CURRENT YEAR BUSINESS CREDIT CALCULATION.—Section 38(b) (relating to current year business credit) is amended by striking "plus" at the end of paragraph (11), by striking the period at the end of paragraph (12) and inserting ", plus", and by adding at the end the following:

"(13) the computer donation credit determined under section 45D(a).".

(c) DISALLOWANCE OF DEDUCTION BY AMOUNT OF CREDIT.—Section 280C (relating to certain expenses for which credits are allowable) is amended by adding at the end the following:

"(d) CREDIT FOR COMPUTER DONATIONS.—No deduction shall be allowed for that portion of the qualified computer contributions (as defined in section 45D(b)) made during the taxable year that is equal to the amount of credit determined for the taxable year under section 45D(a). In the case of a corporation which is a member of a controlled group of corporations (within the meaning of section 52(a)) or a trade or business which is treated as being under common control with other trades or businesses (within the meaning of section 52(b)), this subsection shall be applied under rules prescribed by the Secretary similar to the rules applicable under subsections (a) and (b) of section 52.".

(d) LIMITATION ON CARRYBACK.—Subsection (d) of section 39 (relating to carryback and carryforward of unused credits) is amended by adding at the end the following:

"(9) NO CARRYBACK OF COMPUTER DONATION CREDIT BEFORE EFFECTIVE DATE.—No amount of unused business credit available under section 45D may be carried back to a taxable year beginning on or before the date of the enactment of this paragraph.".

(e) CLERICAL AMENDMENT.—The table of sections for subpart D of part IV of subchapter A of chapter 1 is amended by inserting after the item relating to section 45C the following:

"Sec. 45D. Credit for computer donations to schools, senior centers, public libraries, and other training centers.".

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to contributions made in taxable years beginning after December 31, 2000.

TITLE III—EXPANSION AND EXTENSION OF EMPOWERMENT ZONE TAX INCENTIVES

SEC. 301. ADDITIONAL EMPOWERMENT ZONE DESIGNATIONS.

Section 1391 is amended by adding at the end the following new subsection:

"(h) ADDITIONAL DESIGNATIONS PERMITTED.—

"(1) IN GENERAL.—In addition to the areas designated under subsections (a) and (g), the appropriate Secretaries may designate in the aggregate an additional 9 nominated areas as empowerment zones under this section, subject to the availability of eligi-

DEPARTMENT OF THE TREASURY
WASHINGTON

September 14, 2000

ASSISTANT SECRETARY

MEMORANDUM FOR GENE SPERLING
TOM KALIL

FROM: JONATHAN TALISMAN
ACTING ASSISTANT SECRETARY (TAX POLICY)

SUBJECT: Possible "Digital Divide" Tax Incentives

The following summarizes our views on the "digital divide" tax proposals that you asked us to review in your prior memo. I apologize for the delay in responding to your request.

(1) Corporate donations of computers – expansion of Administration proposal.—We support a temporary extension and expansion of current-law section 170(e)(6), as proposed in the President's FY 2001 budget, through June 30, 2004 (when the R&E credit is scheduled to expire). Even so, we oppose the New Millennium Classroom Act (H.R. 2308 and S. 542) as introduced. However, there are some features of the congressional proposals that we could support building into the President's proposals. As part of a temporary extension of section 170(e)(6), we could support the following proposals:

(a) providing that the enhanced deduction under section 170(e)(6) could be claimed for computers that are up to three years old (starting from the date of manufacture or acquisition by the taxpayer, but not allowing the "clock to be restarted" by re-acquisition of a computer by the donor), provided that – as proposed by NEA – the donated computers meet the minimum standards prescribed by Treasury, which would reflect the mid-point performance standard of industry sales for three-year-old computers);

(b) allowing the enhanced deduction under section 170(e)(6) to be claimed by a corporate donor which re-acquires a computer which it previously sold to a customer (i.e., in the case of a re-acquisition, the original use of the donated computer need not be by the donor or the donee), provided that the computer is not more than three years old on the date of donation;

(c) expanding eligible donors under sections 170(e)(3), (e)(4), and (e)(6) to include all taxpayers (not merely C corps as under current law), but limit the enhanced deduction to 10% of business income (consistent with the current-law rule for C corps);

(d) expanding the class of eligible donees under section 170(e)(6) to include not only public libraries and community technology centers located in low-income communities (as under the President's FY 2001 budget) but also any charity, no matter where located, that is organized and operated primarily for purposes of providing computers without charge to lower-income families (as proposed by Mr. Jefferson in H.R. 4061); and

(e) clarifying that, in cases where a business taxpayer's adjusted basis in property of any kind (not merely computers) exceeds the property's fair market value, the taxpayer may abandon the property for purposes of section 165 (and thereby claim an abandonment loss equal to the property's adjusted basis) by giving the property to charity. In some cases, current law is not clear whether a business taxpayer is entitled to claim a higher deduction by throwing away used property than by donating it to charity.

We do not support the proposals to increase the amount of the enhanced deduction allowed under section 170(e)(6) or to allow taxpayers to claim a credit in lieu of an enhanced deduction. It would set a bad precedent to allow taxpayers to claim a charitable contribution deduction for unrecognized, built-in ordinary income beyond that allowed by the current-law rules. Moreover, although we have examined a proposal to repeal the "twice basis" limitation of section 170(e)(6), we understand that this limitation rarely comes into play with donations of computers (most of which have a high basis relative to the property's fair market value.

(2) Workplace literacy and computer training tax credit—expansion of Administration proposal.—We continue to oppose the congressional "IT Training Credit" proposal from last year (which would provide a credit for virtually all employer-provided technology training expenses that would be incurred in any event). However, we support expansion of the Administration's proposed 20% workplace literacy and technology training credit, so that the credit would be available not only for training expenses incurred for employees who lack a high school degree – as originally proposed – but also for training of employees who are (or had been during the last five years) eligible employees for purposes of the work opportunity tax credit or the welfare-to-work credit. We do not, however, think it is appropriate to provide a special credit for technology training provided to all low-wage employees, because defining "low-wage employees" in a way that the IRS could enforce would be very difficult, especially in the case of part-time workers.

You suggest clarifying the Administration's proposal so that it includes not only basic computer skills but "the kind of skills identified in the Conrad [IT Training] bill." We believe that all computer skills training for eligible employees generally would be covered by the Administration's proposal, provided that computer skills instruction is of "broad applicability." We could, however, modify the Administration's proposal so that, as long as the computer training is provided to an eligible employee and the training is of broad applicability (as opposed to being for a particular vendor's product), there would be no need to inquire as to whether the computer training was for "basic, entry-level computer skills" or for more advanced computer skills.

(3) Credit for sponsorship of qualified zone academies and technology centers.—The current Administration proposal provides for an allocated credit, which would be allocated for each designated empowerment zone and enterprise community by the local governmental agency

with responsibility for implementing the strategic plan that the area was required to agree to as part of the empowerment zone (or enterprise community) designation process. If we wanted this proposed credit also to be available for sponsorship of public schools or technology centers outside of designated empowerment zones or enterprise communities, we could also authorize the State's department of education (or any other agency designated by each State's governor) to make allocations of credits for up to $X of sponsorship payments to any K-12 public school or nonprofit community technology center located anywhere in the State (or perhaps anywhere in the State outside of an empowerment zone or enterprise community, which would continue to receive a separate credit allocation).

If a separate State-wide allocation were to be provided for, we would have to decide whether the State-wide allocation should vary based on each State's total population (or their respective populations below the poverty line, as with the current-law QZAB allocation regime, see sec. 1397E(e)(2)), and whether any adjustment should be made based on the number of designated empowerment zones or enterprise communities in each State.

With respect to this particular expansion of the Administration's proposal, we recently spoke to staff of Mr. Rangel, who was the original sponsor of this proposal. Mr. Rangel's staff suggested that a statewide allocation be limited so that it could be used only for corporate sponsorship of public schools that are eligible for QZABs (i.e., at least 35 percent of students are eligible for subsidized lunches). Mr. Rangel's office is concerned that, if there is a limited amount of corporate sponsorship money available, an expansion of the proposal to all public schools could decrease the likelihood that needier schools will receive corporate sponsorship payments. In addition, we may need to consider whether the proposal should be expanded to the so-called "Renewal Communities," which are to be designated under the New Markets agreement reached by the President and Speaker Hastert.

Employer-provided computers and internet access.—We are concerned about the precedent of providing tax-free treatment for employer provided computers, as proposed by the Digital Divide Access to Technology Act of 2000 (H.R. 4274), which was introduced by Jerry Weller and John Lewis on April 13, 2000. There would be more than incidental personal benefits for many employees, as well as their family members, under such an employer-provided program, yet (as discussed further below) there are no efficiency gains that could justify a tax preference for consumption of goods such as computers through an employer-based system.

Although there is some uncertainty regarding the tax treatment under current-law rules of employer-provided computers and internet access in certain situations, a preliminary estimate by Joint Committee is that H.R. 4274 would cost approximately $1.5 billion over the five-year budget window, which exceeds the cost of the Administration's entire "digital divide" package in its FY 2001 budget.

H.R. 4274 would provide tax-free treatment for employer-provided computers (with certain dollar caps) and internet access (without any dollar cap) for use by an employee and anyone else who resides in the employee's home. Proponents of the bill argue that it would simplify tax administration, by eliminating the necessity under current law to determine on an employee-by-employee basis whether an employer-provided computer and/or internet access is a non-taxable fringe benefit because it is sufficiently related to each employee's current job position. (This current-law test is most easily met by professionals, who also tend to have higher incomes.) Moreover, proponents argue that the proposal could be viewed as an expansion of section 127 to promote computer literacy. Currently, section 127 allows employers to provide tax-free educational assistance (including payments for tuition, equipment, and supplies) to their employees, but section 127 does not apply to "tools and supplies which may be retained by the employee after completion of a course of instruction."

However, in the case of employer-provided computers, there may not be any formal course of instruction for the employee, even though the item being provided by the employer has obvious personal/recreational uses. For example, Ford Motor Company plans on allowing all 350,000 of its employees to lease a home computer from Ford (and be provided internet access at home) for $5 per month, without regard to the whether the employee already is computer literate or whether he/she uses the computer solely for personal reasons or as part of a structured educational program. Industry representatives claim that there would be efficiency gains because rank-and-file workers will be using computerized equipment more and more over time, so using a computer at home would improve their skills at work. But there is no evidence that employees will acquire significant job skills from having a computer and internet access at home. Indeed, there is no guarantee that employees (as opposed to others in the household) will even use their home computers. Ford says that their unions have rejected any requirement that employees use their home computers for any work-related purposes, such as reading email messages. Thus, there is no evidence for an efficiency gain from mere access to home computers or the internet that could justify a tax preference, in contrast to other employer-provided fringe benefits such as health insurance or retirement benefits.

Putting aside for the moment the general issue of whether we support H.R. 4274, your memo suggests modifications to the introduced bill. Specifically, you suggest that H.R. 4274 be modified to explicitly include employer-provided broadband Internet access and that the tax-free treatment under the bill be increased from $35 to $60 per month to cover both broadband Internet access plus computer rental. We do not think that these suggested modifications to H.R. 4274 are necessary. First, the introduced bill already covers employer-provided Internet access, regardless of whether such access is "broadband" or not, so long as the Internet access is "made available to substantially all employees of the employer on substantially the same basis" (other than part-time or seasonal employees or those who work outside the U.S.). Second, the $35 per-month cap contained in the introduced bill does not apply to Internet access of any kind, but rather applies only to the rental value of the computer itself when ownership is not transferred to the employee. (Under the introduced bill, when ownership of the computer is transferred to the employee, the exclusion per employee is limited to an aggregate amount of $1,260 every three years.) The introduced bill contains no dollar cap on the value of employer-provided Internet access, so there is no need to take into account that broadband internet access is more expensive.

You also suggest that H.R. 4274 be modified to cover arrangements under which an employer leases a computer (which is then loaned to an employee) rather than transferring ownership of the computer to the employee. Again, such a modification is not necessary, because the introduced bill already provides for such arrangements.

(5) Computer purchases by EITC recipients.—We oppose Rep. Jefferson's proposal (which is part of H.R. 4061) to allow individuals who are eligible to claim the EITC for a taxable year to also claim a $500 refundable tax credit for 50-percent of the costs they incur to purchase computer equipment or software capable of providing Internet access. Although narrowly targeted in terms of the taxpayers eligible to claim the new credit, the proposal would raise serious policy and administrative concerns. First, the proposed tax credit would be of little help to the lowest income households, because the refundable credit would not be received until after a tax return is filed after the year in which the computer must be purchased. Second, it would be difficult for the IRS to verify whether a taxpayer's claim of the credit is valid, without imposing significant reporting burdens on businesses that sell computers and software. Further, even if an information reporting system were established, it would be difficult for the IRS to ensure that qualifying individuals did not use the credit to purchase computers that they would then sell to non-qualifying persons. Finally, under the introduced bill, taxpayers could repeatedly claim a credit year after year (e.g., by claiming to purchase a computer one year, a new printer the next, and then software or an equipment upgrade after that). In view of these problems, Treasury believes that a better approach is to expand the EITC as proposed in the President's FY 2001 budget, which would provide low-income working families with additional resources (through advance payments made by the employer) that could be used not only for computers, but also other educational expenses, or other essentials, such as housing and child care.

(6) Broadband access.—We generally oppose the broadband investment tax credit proposals (both S. 2321 and the draft Moynihan proposal). These proposals would provide a tax credit for investment in broadband equipment, both to serve certain under-served geographic areas and to provide an incentive for investment in more advanced broadband technology regardless of the geographic areas to be served. As discussed in a more detailed memo previously sent to you, we do not think that it is appropriate to provide a preference for one type of Internet technology over other technologies. Moreover, the proposals would raise difficult administrative problems in trying to determine what portion of investment actually provides Internet access to persons residing in poor urban or rural areas, as opposed to the equipment, although located in a targeted geographic area, providing access to persons to located outside the targeted area. Moreover, the proposal would not help with the more fundamental problem that many persons located in poor urban and rural areas cannot afford Internet access.

(7) Teacher training.—We oppose legislation (H.R. 1075) that would increase the current-law Lifetime Learning credit rate to 50 percent, but only for elementary and secondary school teachers who incur out-of-pocket expenses to enroll in courses in which they receive "instruction on basic or advanced computer functions or computer software (including educational software offered by a single institution) approved for such individual by such local educational agency," provided that such the expenses are incurred "for the purposes of integrating materials covered by such course into the courses taught in the elementary or secondary classroom." This proposal would further complicate the already complex Hope

and Lifetime Learning credits, and would raise definitional issues and compliance problems in attempting to verify whether the technology training from a particular course was intended to be integrated into the teacher's curriculum. Under current law, expenses incurred for technology training at a post-secondary institution are eligible for the Lifetime Learning credit, which the Administration proposes to increase to 28% for all students and courses.

We also oppose H.R. 1076, which would allow elementary and secondary school teachers to claim a 100% credit (up to $2,000 lifetime cap) for costs incurred to purchase a computer, related peripheral equipment, or software (other than software primarily used for entertainment). This proposal raises numerous compliance problems.

1. **Scheduling memo**

- Agency vette of venues

2. **Agency deliverables**

- pick deliverables from ones that have come in
- call agencies that have not responded yet

3. **CEO letter - commitment on accessibility policy**

- come up with list for distribution
- TechNet
- Industry Associations
- Examples

4. **University president letter**

- follow-up phone calls
- Science Coalition

5. **Press paper for trip**

- Deliverables
- Background on issue, statistics
- Clinton/Gore accomplishments
- Stories about individuals

6. **Employment commitment**

- Able-to-Work Consortium
- Outreach to broader corporate community (BRT, NAB)

7. **Blue-Ribbon Commission**

- Foundation support?

TOM DASCHLE
U.S. Senator for South Dakota

320 North Main, Suite B
Sioux Falls, SD 57104
605-334-9596

320 S. First Street, Suite 101
Aberdeen, SD 57401
605-225-8823

816 6th Street
Rapid City, SD 57701
605-348-7551

Washington, DC 20510
202-224-2321
1-800-424-9094

FAX COVER SHEET

Date: Sept 12, 2000

TO: Tom Kalil

Fax Number: 456-2223

FROM: Joan Huffer
Senator Tom Daschle
S-221 United States Capitol
Washington, DC 20510
Telephone: (202) 224-5556

Number of Pages (Including Cover Sheet):

MESSAGE: Thanks for checking in on New Millennium. Attached are 3 things: 1) the additional language everyone has agreed to; 2) the statement of "principles" from Leslie Harris that came from a brainstorming session with other ed groups; 3) three letters including one from the NEA in support of New Millennium. We would really like to get this done this year; would be happy to talk more about how to do that. Thanks, Tom.

Draft

Amendment to S. 542

At the discretion of the Secretary of Treasury regulations may be issued in consultation with the National Telecommunications and Information Agency or other agencies with expertise in computer technology to define minimum standards for a qualified contribution under this section.

Draft Report Language for S. 542

Any minimum standard that the Secretary of Treasury may develop shall reflect the mid-point performance standard of industry sales for three year-old computers. This standard will be determined by surveying industry sales data and publications such as the Orion Blue Book. For example, as a starting point, computers donated in 2000 will at a minimum be Pentium II class processors with processing speed no less than 233 MHz, have 32 MB of RAM, have a CDRom, have sound capability, and contain a 56K capable modem.

Principles:

1) Donated computers must be consistent with the school's and/or district's technology plan, technical specifications, and donated computer policy(ies) of the school. This is to insure that schools do not receive hardware that is inconsistent with the schools' technology plan. Schools believe that the school boards and the community will pressure them to accept donated computers even if the computers do not fit their technology plan.

2) Eligibility will also include nonprofit and education programs that refurbish computers for home use in low income neighborhoods or train students in computer repair. This will also include organizations that refurbish computers and are given to schools. Eligibility will also be broadened to include community and technology training groups. The tax credit rate for these nonprofit and education programs will be 30%. The inclusion of nonprofit and education programs will encourage the donations of computer to these programs. These programs provide excellent educational opportunities and will allow students in low-income areas access to computers at home.

3) The tax credit rate for schools will be lowered to 20%. This is to encourage donations to technology centers and community centers. The increased level of credit for organizations that refurbish computers allows schools that actually accept computers to have functional and fully-equipped hardware.

4) Full tax credit will be given if there is some maintenance included or a guarantee of replacement. Otherwise, the tax credit will be 10%. The maintenance provision is to insure that schools, community technology centers and non-profit groups are not given hardware that is non-functional. Some schools that have received donated computers spend a significant portion of their technology funds in refurbishing these computers. This provision will also provide an incentive for the giver to provide some type of maintenance guarantee.

5) There are many considerations that schools, community technology centers and non-profit groups must take into account. Money should be authorized for the Dept. of Education to do education outreach on the issues surrounding donated computers, including policies,

technical requirements, legal obligations i.e. software, and environmental considerations, etc. The Dept. of Education would be an ideal location for the collection of information on the various issues.

nea
NATIONAL EDUCATION ASSOCIATION

1201 16th Street, N.W.
Washington, D.C. 20036-3290

GOVERNMENT RELATIONS
Mary Elizabeth Teasley, Director
202-822-7321 FAX: 202-822-7741

August 9, 2000

Senator Tom Daschle
United States Senate
Washington, DC 20510

Dear Senator Daschle:

On behalf of the National Education Association's (NEA) 2.5 million members, we would like to express our support for the New Millennium Classrooms Act (S. 542). We thank you for your leadership in working to pass this important legislation, which holds the potential for dramatic increases in the number of state-of-the-art computers in our nation's schools.

The successful E-rate program, passed as part of the Telecommunications Act of 1996, has provided schools with $2.25 billion per year for Internet connections. Because of the success of the E-Rate program, nearly all schools currently have the ability to connect to the Internet.

An Internet connection alone, however, is not sufficient to ensure that all students have access to technology. Schools need to have multi-media computers to take advantage of the Internet connection. It is in this area where the New Millenium Classrooms Act can make a difference. Particularly with the minimum standards language that you have proposed, and with the assurance that computers would have functional operating systems, we believe S. 542 will increase both the number and quality of computers in schools around the country.

Multimedia systems donated under S. 542 will also help decrease budgetary pressures driven by hardware needs. School savings in this area could go a long way toward ensuring the quality teacher training so critical to the successful incorporation of technology in schools.

Increasing the technology available to students will dramatically reshape America and create new and exciting opportunities for the future. Exposure to technology will assist students with their academic endeavors and will help them as they seek to compete in the global economy. We thank you again for your leadership on this important initiative. We look forward to working with you to secure enactment of S. 542 prior to congressional adjournment this fall.

Sincerely,

Mary Elizabeth Teasley

Mary Elizabeth Teasley
Director of Government Relations

NCF
National Cristina Foundation™

181 Harbor Drive, Stamford CT 06902-7474 • (203) 967-8000 • Fax (203) 406-9725
www.cristina.org

May 11, 2000

00 MAY 12 PM 4:02

Senator Thomas A. Daschle
United States Senate
SH-509 Hart Senate Office Building
Washington, DC 20510

Dear Senator Daschle:

The proposed New Millennium Classrooms Act (H.R. 2308/S. 542) is of high interest to all of us who are engaged in computer re-utilization efforts across the nation. The National Cristina Foundation (NCF), a not for profit public charity, pioneered the creation of a national distribution channel in 1984, where none had existed before, for the gathering of previously used computer technology and the dissemination of information about its effective use. We saw a need to create a practical solution to enable underrepresented and special needs populations--people with disabilities, at risk students and persons who are economically disadvantaged--to gain access to an important training tool: the personal computer. We laud this proposal to enable corporations to receive tax credits for donations of computer technology manufactured within the last three years. Such equipment can be extremely important to provide sufficient access to appropriate tools for education and job training for the work skills needed in the 21st Century economy.

NCF distributes donated, previously used computer equipment -- at no cost to donors or to recipient organizations -- to thousands of public agencies and not-for-profits working in schools, hospitals, training and community settings throughout the United States and internationally. Through its broad network of grassroots partners, the Foundation provides free access to computer technology for education, rehabilitation and job training to help people with special needs lead more independent and productive lives. Since NCF's founding tens of thousands of computers have been distributed and more than a million people have been helped.

NCF is also guiding other organizations throughout the United States and abroad to follow its model and to set up computer re-utilization programs in their own communities. This process is now being replicated throughout the United States and abroad. Such projects as ATEN in Illinois, Tools for Life-Reboot project in Georgia, and Operation Reboot in Maryland are examples of this process. We have helped a number of organizations around the country develop independent computer re-utilization programs.

Additionally, there are an ever growing list of organizations across the United States who have or are developing programs for re-using computers to benefit schools and community settings. Some of these include: Easter Seals Washington (WA), Computers for Kids (CT), Second Chance Program (VA), Nonprofit Computing (NYC), Mouse (working with the NYC public schools) (NYC), Surplus Exchange of Wichita (KS), Goodwill Industries Computer Recycling Center (national), Computers for Schools Program (national) and Share the Technology Project (national). The list goes on. The New Millennium Classrooms Act can play an important role in the development of human capital in our society, particularly among underrepresented and at risk populations. The 21st century workplace needs employees with current technology based skills. Tax incentives for the donation of computers that are three years old or less are an important workforce investment for all our futures.

Yours very truly,

Yvette Marrin, Ph.D.
President

PEAC Coalition

PEOPLE ENCOURAGING ACCESS TO COMPUTERS

Joan

1155 21st Street, NW
Suite 300
Washington, D.C. 20036

Phone: 202-973-5939
Fax: 202-496-0896

April 27, 2000

Senator Thomas A. Daschle
United States Senate
SH-509 Hart Senate Office Building
Washington, DC 20510

RE: DIGITAL DIVIDE AND THE NEW MILLENNIUM CLASSROOMS ACT

Dear Senator Daschle:

Thank you for your vote last month in favor of the New Millennium Classrooms Act amendment to the Affordable Education bill. Your support made the 96-2 vote a resounding victory. We urge your continued support of the New Millennium Classrooms Act as the Affordable Education Act and other appropriate legislative vehicles move through the Senate in the coming weeks and months.

By working with the House and the Administration to ensure that the legislation passed by the Senate becomes law, you could help ensure that schools will have more computers to address both the "digital divide" and the critical IT skills shortage facing America. The digital divide between the "haves" and "have nots" is growing. The New Millennium Classrooms Act will redirect high quality "lagging edge" technology such as Pentium I &II computers to our neediest schools and libraries across the country. The bill provides a tax incentive to donate high quality computers to schools and libraries, particularly those schools located in empowerment zones, enterprise communities and on reservations. The existing law that this bill amends is set to expire this year. Donated computers will help bridge the digital divide and prepare students for available high-tech jobs.

Congress has the opportunity to lead the fight against the "digital divide." While it is easy to assume in our computer age that everyone has at least some access to a computer, many students are still left without access to computers or the Internet. According to a recent Administration study, less than 20% of households making under $15,000 a year have computers as compared to over 60% of households making $50,000 or more a year. The divide is not just along income levels, over 46% of white households own computers, while only 23% of black households and 25% of Hispanic households own computers. Unfortunately, households that do not have computers are often located in the school districts that have very poor computer-to-student ratios.

We believe the New Millennium Classrooms Act, S. 542, provides Congress the opportunity to take the lead on this critical issue. We appreciate your ongoing support and urge you to continue to support this bill that will promote the donation of computers to K-12 schools and libraries located within economically distressed areas.

Without Congress' leadership in this important area the digital divide will continue to grow as it has in recent years, leaving our less economically advantaged and minority children further behind. Your continued leadership in this area is critical to increase the likelihood that all children will leave school having the skills to take part in our nation's booming economy.

Sincerely,

Computers for Schools Association

National Christina Foundation

CompTIA

US Chamber of Commerce

Technology Workforce Coalition

Computer Reclamation Inc.

Geoffrey M. Champion
Managing Director, Global Advanced
Korn/Ferry International

Paul Folino, President and CEO
Emulex Corp.

David W. Hanna, Chairman
Hanna Capital Management

Gene Hoffman, Founder, President & CEO
Emusic

Dwight Decker, President, Chairman, and CEO
Conexant Systems, Inc.

Dean DeBiase, President, CEO, and Director
Autoweb.com

Randy Williams, President & CEO
Williams Company

National Association of School Principals

Goodwill Industries International, Inc.

Consumer Electronics Association

National Association of Manufacturers

Information Technology Assoc. of America

Aart deGeus, CEO, Synopsys

Ron Lawless
Member, Illinois State Board of Education, IL

Guy Hoffman
Venture Partners, TL Ventures

Stuart H. Wolff, Ph.D, Chairman & CEO
Homestore.com

John Kernan, Chairman & CEO
Lightspan Partnership Inc

David A. Lane, General Partner
Alpine Technology Partners

Thomas S. Fornoff, Vice President
Human Code Inc.

Toni Casey, President
T. Casey and Associates

heryle Bolton, CEO
Scientific Learning Corporation

'eter Henschel, Executive Director
Institute for Research on Learning

ouis C. Cole, Chairman, CEO & President
Legato Systems, Inc.

ames Hunt, CEO
Ernest Young Technology, Inc.

im Curran
Tech Data Corp

Donald McClellan
Gateway

oby Roberte, Asst. to the Editor/Technology
Chicago Sun-Times, Chicago, IL
orrest, IL

eter Koenen, Engineer
Chicago, IL

ames J. Gatziolis, Attorney
hicago, IL

Scott McMurray, President
SCM Freelance Solutions, Chicago, IL

awrence Wilhelm, Chairman
Maxant Technologies, Inc., Chicago, IL

Maureen Brongiel, Teacher
Kinzie School, Chicago, IL

heresa Wong, Math and Science Teacher
Chicago, IL

Wanda Lucas
Missouri Northeast Correctional Center
oling Green, MO

harles B. Gold, Teacher
hicago, IL

Robert Kleist, President & CEO
Printronix, Inc.

Tom Sharples, Vice Chairman & CTO
Imagecast, Inc.

Joel Pellinger
Solar Systems, Inc.

John Dobson
Transamerica Distribution Finance

Tricia Wurts
Wurtz & Associates

Julie Hamos, State Representative
Evanston, IL

Tom Crofts, Head of History
Lake Forest Country Day School, Lake

Gregory Michie, Golden Apple Teacher
Chicago, IL

Penny A. Lundquist, Director
Golden Apple Academy, Chicago, IL

Richard Wolfe, Owner
Emco Gears, Chicago, IL

Lisa Chikako
Binmoeller, Chicago, IL

Geraldine Banks, Principal (retired),
Kinze School, Chicago, IL

James R. Sorensen, English teacher
Chicago, IL

Carol Gaul, Teacher
Calhoun School, Chicago, IL

Ranada L. Johnson, Teacher
Chicago, IL

Elise Mooney, Teacher
Murray Language Academy, Chicago, IL

Griselle M. Diaz-Gemmati
Golden Apple Fellow, Norwood Park School
Chicago, IL

Cheryl Chapman, Golden Apple Fellow '97
Chicago, IL

Phil Warren, Accountant
Chicago, IL

Barbara A Driscoll
Peco Energy, Philadelphia, PA

Terry Feick, Computer Rehaber
Washington Courthouse Schools, OH

Robert Mattson, Computer Rehaber

Doug Kleintzman
American Express, Salt Lake City, UT

Barb Chirillo, Teacher
Kinzie School, Chicago, IL

John Q. Chin. Program Coordinator
Computer for Schools Enterprise
Coordinator, Miami-Dade
Community College, FL

Don York, Professor
University of Chicago, Chicago, IL

Al Ginsburgh
Rockford Computers for Schools, Rockford, IL

Kerry Koide
Educational Specialist
Telecommunications Advanced Technology Research
Hawaii State Department of Education

Attachment

Carl A Ulrich, Teacher,
Chicago, IL

Kevin Ahmadi, Heath Center Administrator
Montgomery Place, Chicago, IL

Bruce Winstein, Professor of Physics
University of Chicago, Chicago, IL

Deborah MacFarlane,
Computer Rehaber

Kathleen Kawaloski, Principal,
St. Viator's School, Chicago, IL

Catherine Gallogly, National Coordinator
Computer for Schools

David Puett
Utah Correctional Industry, UT

Thomas N Willfrid Ph.D., Vice President
Academic and Student Affairs,
Mercer County Community Colleges, NJ

Patrick J. O'Reilly Teacher
Golden Apple Fellow, Chicago, IL

Jeff Carter, Businessman
Chicago, IL

Al Travis, Businessman
Chicago, IL

Boyd I Willat, President
Sensa Pens, Los Angeles, CA

Chris Faulhaber, President
Corrections Industry Association

Paul Erling, Computer Rehaber
Chicago, IL

ADDITIONAL STATEMENTS

NEW MILLENNIUM CLASSROOMS ACT

• Mr. ABRAHAM. Mr. President, I rise to call to the attention of the Senate a letter of endorsement given to my bill, the New Millennium Classrooms Act, by a group of 11 senior executives of Silicon Valley's leading technology and venture capital firms.

Mr. President, the New Millennium Classrooms Act, through tax-based incentives, would provide schools and companies the means by which partnerships can be created and computers, software, and related technological equipment can be brought to our schools.

Encouraging private investment and involvement, the New Millennium Classrooms Act achieves this important goal without unduly increasing Federal Government expenditures, creating yet another federal program or department and will keep control where it belongs—with the teachers, the parents, and the students.

Providing today's children with high technological equipment and software will provide them with the necessary and invaluable computer skills needed to ensure their future success and our nation's status as the technological and economic leader in the New Economy.

I ask that the letter from the Silicon Valley firms be printed in the RECORD.

The letter follows:

APRIL 15, 1999.

Hon. SPENCER ABRAHAM,
U.S. Senate, Washington, DC.

DEAR SENATOR ABRAHAM: As senior executives of the nation's leading technology companies and venture capital firms, we write to commend you for your continued support of policies that will help to ensure our nation's technological and economic leadership. Specifically, we thank you for introducing the New Millennium Classrooms Act (S. 542), an important step toward making computers, software and the Internet available to American schoolchildren.

By relying on market-based incentives, your legislation will increase the supply of computer technology available to children in grades K–12. We are particularly supportive of enhanced provisions to encourage the donation of computers and equipment to schools that serve underprivileged students, allowing all American children the opportunity to prepare for the New Economy on equal footing. Your legislation will allow the potential of our nation's children to be fully realized in the 21st century, while maintaining fiscal responsibility.

Thank you for introducing this important legislation and for continuing your leadership on issues critical to the success of America's New Economy.

Sincerely,

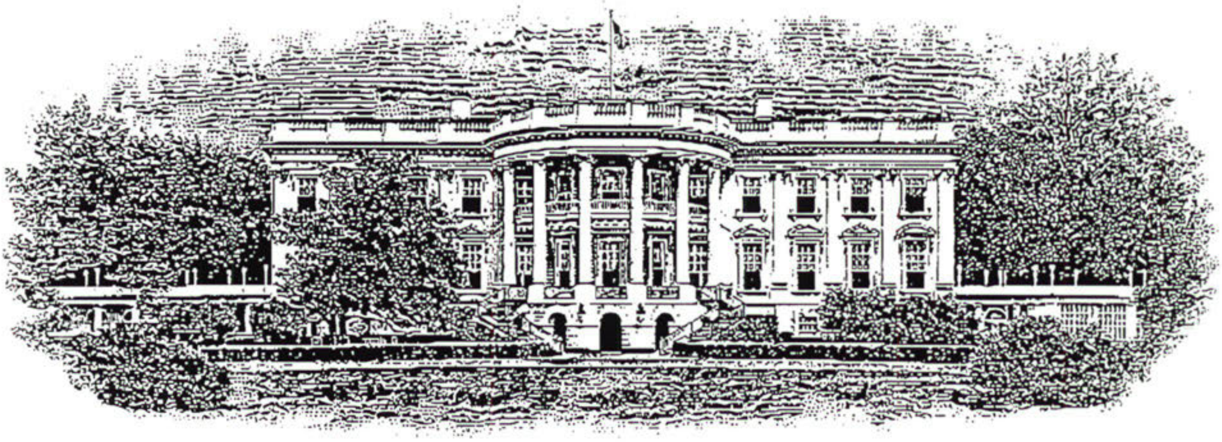
Wilfred Corrigan, CEO, LSI Logic, Corp.; Carl Feldbaum, President, Biotechnology Industry Organization; Dr. Dwight D. Decker, President, Conexant Systems; Michael Goldberg, CEO, OnCare; Floyd Kvamme, Partner, Kelner Perkins Caufield & Byers; Willem Roelandts, CEO, Xilinx; Scott Ryles, Managing Director, Merrill Lynch; Ted Smith, Chairman, FileNet; Burt McMurtry, Partner, Technology Venture Investors; Michael Rowan, CEO, Kestrel Solutions; Dr. Henry Samueli, CTO & Co-Chairman, Broadcom.•

THE WHITE HOUSE

WASHINGTON

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF THE CHIEF OF STAFF



Please Deliver To: Tom Kalil

Fax Number: 6-2223

Sender: Fern Mechlowitz

Date: 10/5/00

Pages Including Cover: 8

Message: Tom - John is meeting w/ Phil Verveer and some others tomorrow on the Internet Access Act (see attached). I wanted to give you a heads-up and see if you would be able to put some background together for John for this. Would you give me a call - Thanks, Fern.

NOTE: **The information contained in this facsimile message is CONFIDENTIAL and intended for the recipient ONLY. If there is any problem with this transmission or you mistakenly received this facsimile, please call (202) 456-6798. Thank You.**

WILLKIE FARR & GALLAGHER

Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20036-3384

202 328 8000
Fax: 202 887 8979

October 5, 2000

VIA FACSIMILE

Ms. Fern Mechlowitz
Office of the Chief of Staff
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

RE: OCTOBER 6, 2000 MEETING

Dear Ms. Mechlowitz:

Tomorrow morning's meeting with Mr. Podesta involves representatives of a coalition that has supported S. 2698, Senator Moynihan's Broadband Internet Access Act.[1] The Moynihan proposal, with modifications, has been incorporated into the Senate Finance Committee version of the Community Renewal and New Markets Act. The legislative proposal generally addresses digital divide concerns by providing for tax credits for investments in broadband facilities in rural and underserved areas. The credits apply to current-generation facilities (credits of 10 percent for three years) and next-generation facilities (credits of 20 percent for three years).

Please find enclosed a list of the persons attending the 11:00 a.m. meeting with Mr. Podesta; a list of the members of the "Digital Bridge" coalition; a one-page summary describing the tax credit proposal; and lists showing the sponsors of the Moynihan and English bills.

We are grateful to Mr. Podesta for making time for the meeting and to you for your assistance. We look forward to tomorrow's meeting.

Sincerely,

Philip L. Verveer

Enclosures

[1] Rep. English has introduced a similar bill, H.R. 4728.

Withdrawal/Redaction Marker
Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. list	re: October 6, 2000 Meeting [Personally Identifiable Information] [partial] (1 page)	10/04/2000	b(6)

COLLECTION:

Clinton Presidential Records
National Economic Council
Thomas Kalil
OA/Box Number: 24550

FOLDER TITLE:

Digital Divide - Tax

2019-0203-F
jm2844

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P1 National Security Classified Information [(a)(1) of the PRA]
P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P3 Release would violate a Federal statute [(a)(3) of the PRA]
P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [a)(5) of the PRA]
P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.
PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).
RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

b(1) National security classified information [(b)(1) of the FOIA]
b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

October 6, 2000 Meeting
<u>List of Attendees</u>

[001]

Tom Cohen, (b)(6)
Stan Fendley, (b)(6)
Peter Pitsch, (b)(6)
Tim Regan, (b)(6)
Phil Verveer, (b)(6)

Broadband Internet Access Act of 2000

S.2698 (Moynihan) and H.R.4728 (English)

(As included in Chairman Roth's "Community Renewal and New Markets Act of 2000," S.3152)

A Tax Incentive to Narrow the Existing Digital Divide and Accelerate Deployment of Next Generation Broadband Internet Access

- Problem: Today a great disparity exists in the availability of high-speed Internet services, or "broadband." While urban business customers receive extremely fast broadband service, most Americans do not. In fact, most residential customers, and even business customers in rural and low-income areas, are limited to extremely slow "dial-up" service.

- Solution: A temporary 2-tiered tax credit for the deployment of broadband services to areas the market is leaving behind.

  1. Current-Generation Broadband Credit: A 10% credit for the deployment of 1.5 megabit downstream/200 kilobit upstream service to rural and underserved areas.

  2. Next-Generation Broadband Credit: A 20% credit for the deployment of 22 megabit downstream/10 megabit upstream service to rural, underserved, and residential areas. This level of broadband will allow use of the Internet for telemedicine, distance learning, video streaming, video conferencing, and other advanced applications.

  3. Technology and Carrier Neutral: Available to any provider deploying the minimum bit speeds described above, regardless of the technology used. Telephone, cable, fiber optic, terrestrial wireless, satellite or any other system would be eligible.

  4. Three-Year Duration: To encourage providers to act quickly, the current-generation credit would be limited to broadband services deployed from 2001-2003. The next-generation credit would be limited to broadband services deployed from 2002-2004.

  5. Cost: The Joint Committee on Taxation has scored this provision at $1.4 billion over 10 years.

Americans for the Digital Bridge
October 5, 2000

- Alcatel
- Alliance for Public Technology
- American Association of People with Disabilities
- American Electronics Association
- American Farm Bureau
- American Telemedicine Association
- Arizona Consumers Council
- The Broadband Company
- City of Bardwell, Kentucky
- Columbia Consumer Education Council
- Consumer Alliance of the Southeast
- Corning Incorporated
- Council of Chief State School Officers
- Delaware Chamber of Commerce
- Electronic Industries Alliance
- Floyd County Network Group
- Georgetown University Medical Center
- Global Systems, Inc.
- Information Technology Industry Council
- Kidz Online
- Leadership Conference on Civil Rights
- League of United Latin American Citizens
- Libraries for the Future, New York
- Loveland Group
- Lucent Technologies
- Metropolitan Area Advisory Committee, San Diego, CA
- Microtek Internet Services
- Mitretek Systems
- NAACP
- National Association of Development Organizations
- National Association of Commissions for Women
- National Association of the Deaf
- National Corn Growers Association
- National Hispanic Council on Aging
- National Trust for the Development of African American Men
- Oklahoma Municipal League
- Telecommunications for the Deaf
- Telecommunications Industry Association
- United Home Owners Association
- United States Distance Learning Association
- Universal Service Alliance
- World Institute on Disability

Bill Summary & Status for the 106th Congress

NEW SEARCH | HOME | HELP | ABOUT COSPONSORS

H.R.4728
Sponsor: Rep English, Phil (introduced 6/22/2000)
Related Bills: S.2698
Latest Major Action: 6/22/2000 Referred to House committee
Title: To amend the Internal Revenue Code of 1986 to provide an incentive to ensure that all Americans gain timely and equitable access to the Internet over current and future generations of broadband capability.

COSPONSORS(77), ALPHABETICAL [followed by Cosponsors withdrawn]: (Sort: by date)

Rep Ballenger, Cass - 6/22/2000
Rep Bartlett, Roscoe G. - 9/14/2000
Rep Bilirakis, Michael - 10/3/2000
Rep Blagojevich, Rod R. - 7/20/2000
Rep Boehner, John A. - 7/26/2000
Rep Brown, Corrine - 9/19/2000
Rep Burr, Richard - 6/22/2000
Rep Chambliss, Saxby - 9/26/2000
Rep Clayton, Eva M. - 9/14/2000
Rep Clement, Bob - 9/21/2000
Rep Coburn, Tom A. - 10/3/2000
Rep Collins, Mac - 9/19/2000
Rep Cunningham, Randy (Duke) - 9/14/2000
Rep DeLauro, Rosa L. - 9/26/2000
Rep Dooley, Calvin M. - 9/12/2000
Rep Doolittle, John T. - 9/12/2000
Rep Dreier, David - 9/12/2000
Rep Dunn, Jennifer - 9/14/2000
Rep Emerson, Jo Ann - 6/22/2000
Rep Eshoo, Anna G. - 10/3/2000
Rep Fattah, Chaka - 9/28/2000
Rep Fletcher, Ernest L. - 6/22/2000
Rep Foley, Mark - 9/12/2000
Rep Ford, Harold, Jr. - 9/12/2000
Rep Gibbons, Jim - 9/19/2000
Rep Gonzalez, Charles A. - 9/14/2000
Rep Goode, Virgil H., Jr. - 9/21/2000
Rep Goodlatte, Bob - 7/20/2000
Rep Hastings, Doc - 9/21/2000
Rep Hayes, Robin - 6/22/2000
Rep Hayworth, J. D. - 10/3/2000
Rep Hefley, Joel - 10/3/2000
Rep Herger, Wally - 7/26/2000
Rep Hilliard, Earl F. - 9/28/2000
Rep Hobson, David L. - 10/4/2000
Rep Jones, Stephanie Tubbs - 6/22/2000
Rep Kennedy, Patrick J. - 9/19/2000
Rep Largent, Steve - 9/26/2000
Rep Latham, Tom - 9/28/2000
Rep Lazio, Rick - 9/26/2000
Rep Lee, Barbara - 9/28/2000
Rep Lewis, Ron - 9/19/2000
Rep Matsui, Robert T. - 6/22/2000
Rep McDermott, Jim - 9/12/2000
Rep McHugh, John M. - 7/20/2000
Rep McInnis, Scott - 7/13/2000
Rep McIntyre, Mike - 6/22/2000
Rep Meek, Carrie P. - 9/19/2000
Rep Meeks, Gregory W. - 9/26/2000
Rep Millender-McDonald, Juanita - 10/3/2000
Rep Moran, Jerry - 9/19/2000
Rep Neal, Richard E. - 6/22/2000
Rep Ney, Robert W. - 9/28/2000
Rep Nussle, Jim - 6/22/2000
Rep Peterson, John E. - 9/14/2000
Rep Pickering, Charles (Chip) - 10/3/2000
Rep Pombo, Richard W. - 9/12/2000
Rep Pomeroy, Earl - 6/22/2000

Rep Portman, Rob - 7/26/2000
Rep Radanovich, George P. - 9/12/2000
Rep Rodriguez, Ciro - 9/14/2000
Rep Schaffer, Bob - 10/3/2000
Rep Smith, Lamar - 10/4/2000
Rep Terry, Lee - 9/12/2000
Rep Thornberry, William (Mac) - 9/12/2000
Rep Turner, Jim - 10/3/2000
Rep Watts, J. C., Jr. - 9/12/2000
Rep Wicker, Roger F. - 10/3/2000
Rep Pryce, Deborah - 10/3/2000
Rep Riley, Bob - 9/12/2000
Rep Saxton, Jim - 9/12/2000
Rep Sherwood, Don - 6/22/2000
Rep Sweeney, John E. - 9/26/2000
Rep Thompson, Bennie G. - 9/14/2000
Rep Thune, John R. - 6/22/2000
Rep Watkins, Wes - 10/3/2000
Rep Weldon, Curt - 9/12/2000

Bill Summary & Status for the 106th Congress

NEW SEARCH | HOME | HELP | ABOUT COSPONSORS

S.2698
Sponsor: Sen Moynihan, Daniel Patrick (introduced 6/8/2000)
Related Bills: H.R.4728
Latest Major Action: 6/8/2000 Referred to Senate committee
Title: A bill to amend the Internal Revenue Code of 1986 to provide an incentive to ensure that all Americans gain timely and equitable access to the Internet over current and future generations of broadband capability.

COSPONSORS(51), ALPHABETICAL [followed by Cosponsors withdrawn]: (Sort: by date)

Sen Akaka, Daniel K. - 10/2/2000
Sen Allard, Wayne - 6/8/2000
Sen Ashcroft, John - 6/23/2000
Sen Baucus, Max - 6/8/2000
Sen Bayh, Evan - 7/25/2000
Sen Boxer, Barbara - 6/8/2000
Sen Breaux, John B. - 6/8/2000
Sen Brownback, Sam - 6/8/2000
Sen Bryan, Richard H. - 6/8/2000
Sen Bunning, Jim - 6/8/2000
Sen Burns, Conrad R. - 6/8/2000
Sen Cleland, Max - 6/14/2000
Sen Conrad, Kent - 7/13/2000
Sen Daschle, Thomas A. - 6/8/2000
Sen DeWine, Michael - 6/8/2000
Sen Dodd, Christopher J. - 10/2/2000
Sen Dorgan, Byron L. - 7/25/2000
Sen Durbin, Richard J. - 6/8/2000
Sen Edwards, John - 9/15/2000
Sen Enzi, Michael B. - 6/8/2000
Sen Feinstein, Dianne - 9/5/2000
Sen Harkin, Tom - 9/19/2000
Sen Helms, Jesse - 9/12/2000
Sen Hollings, Ernest F. - 6/8/2000
Sen Hutchinson, Y. Tim - 6/8/2000
Sen Inouye, Daniel K. - 6/21/2000
Sen Johnson, Tim - 6/8/2000
Sen Kennedy, Edward M. - 6/8/2000
Sen Kerrey, J. Robert - 6/8/2000
Sen Kerry, John F. - 6/8/2000
Sen Landrieu, Mary L. - 6/8/2000
Sen Levin, Carl - 9/21/2000
Sen Lincoln, Blanche - 6/8/2000
Sen Mikulski, Barbara A. - 6/8/2000
Sen Murray, Patty - 9/12/2000
Sen Reid, Harry M. - 6/8/2000
Sen Robb, Charles S. - 6/8/2000
Sen Roberts, Pat - 6/8/2000
Sen Rockefeller, John D., IV - 6/8/2000
Sen Santorum, Rick - 9/12/2000
Sen Sarbanes, Paul S. - 6/14/2000
Sen Schumer, Charles E. - 6/8/2000
Sen Smith, Gordon - 9/25/2000
Sen Snowe, Olympia J. - 6/8/2000
Sen Stevens, Ted - 9/26/2000
Sen Thomas, Craig - 6/14/2000
Sen Thurmond, Strom - 6/8/2000
Sen Torricelli, Robert G. - 9/19/2000
Sen Warner, John W. - 9/12/2000
Sen Wellstone, Paul D. - 6/29/2000
Sen Wyden, Ron - 9/19/2000

COMMITTEE:
WAYS AND MEANS
SUBCOMMITTEE:
HEALTH
OVERSIGHT

Congress of the United States
House of Representatives
Washington, DC 20515–1005

Fax (202) 225-0351
DISTRICT OFFICE:
THE EQUITABLE BUILDING
100 PEACHTREE STREET, N.W.
SUITE # 1920
ATLANTA, GA 30303
(404) 659-0116
Fax (404) 331-0947

FAX TRANSMISSON FROM THE OFFICE OF CONGRESSMAN JOHN LEWIS

DATE 09/19/00

FROM Jane Greaves

TO: Tom Kalil

ORGANIZATION NEC

FAX NUMBER (202) 456-2223

 # OF PAGES (including cover sheet) 3

CONGRESSMAN JOHN LEWIS
343 CANNON HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
PHONE (202)225-3801
FAX (202)225-3166

COMMENTS:

Attached is the JCT score for HR 4274 introduced by Reps. Weller and Lewis. Please call me if you need any additional information.

Jane

dig dwidl.

Congress of the United States
JOINT COMMITTEE ON TAXATION
1015 LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-6453
(202) 225-3621

MAY 19 2000

Honorable Jerry Weller
U.S. House of Representatives
424 Cannon HOB
Washington, DC 20515

Dear Mr. Weller:

This letter is in response to your request dated May 5, 2000, for a revenue estimate for H.R. 4274, the "Digital Divide Access to Technology Act," a bill that would treat computers and Internet access provided to employees by employers as a nontaxable fringe benefit.

Under the bill, up to $35 per month could be excluded from income as a de minimis fringe benefit under section 132 of the Internal Revenue Code of 1986 (the "Code") in the case of the use of a computer provided by an employer to an employee if the employer retains ownership of the computer. If an employer gives a computer to an employee, up to $1,260 could be excluded from income as a de minimis fringe benefit. In no event could more than $1,260 be excluded from an employee's income during the taxable year and the preceding two taxable years.

The bill also provides that the value of Internet access provided by an employer to an employee could be excluded from income provided the access is provided directly by the employer or through a contract entered into by the employer with the Internet service provider.

The exclusions from gross income for Internet access and computers provided to employees would be available only if such access and computers are made available to substantially all of the employees of the employer on substantially the same basis, excluding employees who have not completed six months of service, part-time or seasonal employees, and employees whose principal place of employment is outside of the United States. The term computer would include peripheral equipment, software loaded into the computer, technical support, and any other incidental benefits provided in connection with the employer's computer benefit program. For purposes of the revenue estimate, we have assumed that the exclusion would not apply to computers or Internet access provided on a salary reduction basis.

The proposal would apply to computers and Internet access provided in taxable years ending after the date of the enactment. For purposes of the revenue estimate, we have assumed an enactment date of September 15, 2000. In addition to the dollar limits on the exclusion of $1,260 or $35 per month cited in the bill, revenue estimates are provided for the following alternative limits: $720 or $20 per month, $1,800 or $50 per month, and no limits on the

Congress of the United States
JOINT COMMITTEE ON TAXATION
Washington, DC 20515–6453

Honorable Jerry Weller
U.S. House of Representatives

valuation of the computer. Estimated changes in Federal fiscal year budget receipts are as follows:

Fiscal Years
[Millions of Dollars]

Item	2000	2001	2002	2003	2004	2005	2000-05	2000-10
$720 or $20/month...	---	-103	-204	-286	-340	-380	-1,313	-3,509
$1,260 or $35/month...	---	-118	-233	-328	-392	-439	-1,509	-4,076
$1,800 or $50/month...	---	-119	-235	-331	-396	-444	-1,525	-4,125
No limit..................	---	-119	-235	-331	-396	-444	-1,525	-4,125

NOTE: Details may not add to totals due to rounding.

I hope this information is helpful to you. If we can be of further assistance in this matter, please let me know.

Sincerely,

Lindy L. Paull

Lindy L. Paull

May 22, 2000

MEMORANDUM FOR JOHN TALISMAN

FROM: GENE SPERLING
TOM KALIL

RE: POSSIBLE "DIGITAL DIVIDE" TAX INCENTIVES

Summary: This memo outlines some possible options for tax incentives that would help close the digital divide. We would like your views on these, and any preliminary cost estimates that your staff can develop.

I. Home Access

A. **Goal**: Encourage companies to provide computers and high-speed Internet access to all of their employees by making it a tax-free fringe benefit.

B. **Pending legislation**:

1. John Lewis and Jerry Weller have introduced H.R. 4274, the "Digital Divide Access to Technology Act of 2000." It would allow employers to provide home computers and Internet access to their employees without these benefits being treated as taxable income to the employee.

- The DATA Act treats employer-provided Internet access and the first $1,260 of the value of a computer and peripheral equipment (e.g., software and printers) as tax-free fringe benefits to the employee.

- However, for the proposal to apply, employers must provide computers to substantially all employees working in the United States and employees can receive only one computer every 36 months.

2. Representative Jefferson has introduced legislation (Digital Divide Elimination Act of 2000 - H.R. 4061) which would provide a 50 percent credit for computer equipment up to $500 for anyone who is eligible for the EITC.

C. **Policy issues**:

- We're leaning towards the Jefferson approach, since it is more targeted. However, we should look at both options.

- We should explicitly include broadband Internet access as part of deduction

- We should allow for arrangements in which company leases the computer rather than transferring ownership to the employee.

- Credit should be increased to up to \$60/month - to allow for both broadband Internet access plus PC rental.

II. Broadband Access

A. **Goal**: Encourage telecommunications companies to invest in high-speed networks in underserved urban and rural areas.

B. **Pending legislation**: Senators Rockefeller and Snowe introduced S. 2321 -- the "Rural Telecommunications Modernization Act of 2000" on March 29th. The legislation provides an investment tax credit of 10-15 percent (depending on the bandwidth of the facility) for companies than invest in broadband networks for rural subscribers.

Senator Moynihan is working on a broader bill that would also include incentives for investment in poor cities, and incentives for much higher bandwidths in all areas of the country (e.g. 20 megabits/second as opposed to today's DSL which provides 640 kilobits/second).

C. **Policy and design issues**

- Competitive Local Exchange Carriers (CLECs) are currently not profitable because they are investing heavily in new networks. They are concerned that the Incumbent Local Exchange Carriers will benefit disproportionately from an Investment Tax Credit.

- Could be very expensive (\$10 billion over 5 years).

III. Teacher training

A. **Goal**: Encourage elementary and secondary teachers to purchase computers and get training in how to use technology in the classroom.

B. **Legislation**: Representative Stabenow has introduced legislation (H.R. 1075 and 1076) which would increase the life-long learning tax credit to 50 percent for teachers than enroll in courses that train teachers to use technology and to integrate technology into the curriculum

C. **Policy and Design issues**

- Need to find out whether it is reasonable to expect teachers to pay for their training, as this credit would suggest.

IV. Expansion of existing Administration proposals

A. **Goals**: Encourage companies to:

- Donate computers to schools, libraries, and community technology centers
- Sponsor "qualified zone academies" (schools, libraries, community technology centers) in Empowerment Zones or Enterprise Communities
- Provide education programs in workplace literacy and basic computer skills

B. **Pending legislation**: New Millenium Classrooms Act (which passed the Senate 96-2 as an amendment to the Affordable Education Act) is different from our proposal in several respects:

- Computers can be up to three years old, as opposed to 2
- A company that reacquires the computer can be eligible for the credit

C. **Policy and design issues**

1. Should we agree to some of the provisions in the New Millenium Classrooms Act (will be controversial with some in the education community -- especially the 3-year provision).

2. Our workplace literacy and computer skills tax credit is generally limited to people who lack a high-school degree. If they have a high school degree, they have to fail a basic skills test. This may make sense for workplace literacy, but not for computer skills. We ought to consider expanding this along the following dimensions:

   - Not limiting it just to people with below a high-school degree
   - Making sure that temp agencies like Manpower can take advantage of it
   - For low-income workers -- including not only basic computer skills but the kind of skills identified in the Conrad bill (e.g. computer programming)

3. The "qualified zone academy" credit is currently limited to Empowerment Zones and Enterprise Communities. This is because the credit is an "allocable" credit of 50 percent. If we wanted to expand this -- we would need to determine which political authority would be responsible for allocating the credit.

V. Other ideas -- no pending legislation

1. Expanded R&D credit for R&D that would help close digital divide through:

   - Advanced educational technology and evaluation of technology in the classroom

   - Making IT products and services more accessible for people with disabilities

   Credit could either be (a) expanded version of R&E credit; or (b) allocable credit awarded by competitive, merit-based process established by NSF and Department of Education.

May 6, 2000

MEMORANDUM FOR GENE SPERLING

FROM: TOM KALIL

RE: POSSIBLE "DIGITAL DIVIDE" TAX INCENTIVES

Summary: This memo outlines some possible options for tax incentives that would help close the digital divide. I have not shown this to anyone else. If you think these are generally on the right track -- I would circulate this memo to OVP, OMB, Commerce, Treasury, and other interested agencies.

I. Home Access

A. **Goal**: Encourage companies to provide computers and high-speed Internet access to all of their employees by making it a tax-free fringe benefit.

B. **Pending legislation**: John Lewis and Jerry Weller have introduced H.R. 4274, the "Digital Divide Access to Technology Act of 2000." It would allow employers to provide home computers and Internet access to their employees without these benefits being treated as taxable income to the employee.

- The DATA Act treats employer-provided Internet access and the first $1,260 of the value of a computer and peripheral equipment (e.g., software and printers) as tax-free fringe benefits to the employee.

- However, for the proposal to apply, employers must provide computers to substantially all employees working in the United States and employees can receive only one computer every 36 months.

Representative Jefferson has introduced legislation (Digital Divide Elimination Act of 2000 - H.R. 4061) which would provide a 50 percent credit for computer equipment up to $500 for anyone who is eligible for the EITC.

C. **Design issues**:

- Explicitly include broadband Internet access as part of deduction

- Allow for arrangements in which company leases the computer rather than transferring ownership to the employee.

- Credit should be increased to up to $60/month - to allow for both broadband Internet access plus PC rental.

D. **Pros**

- Could encourage companies to start providing computer and Internet access as a fringe benefit -- could be linked to a Presidential challenge to companies to pledge to do this if the tax credit passed. Ford and Delta example shows that this could be a very powerful way to bridge the digital divide.

- Could encourage telecommuting - which can reduce pollution, congestion, and allow workers to spend more time with their families.

- Could allow companies to provide technology-based training so that workers can upgrade their skills.

- Government will save money if PC and Internet access is adopted more rapidly -- since this will allow more rapid transition to e-government and lower transaction costs.

E. **Cons**

- Some companies may be willing to do this any way (although not many companies have followed Ford and Delta).

- No income limits -- so may be subsidizing access for upper-middle class employees of companies like Intel (this does not apply to Jefferson approach).

- Could undermine the rationale for our proposal on the spending side.

- Doesn't help people who are self-employed.

F. Recommendation: I like the idea of doing something in the home access area.

II. Broadband Access

A. **Goal**: Encourage telecommunications companies to invest in high-speed networks in underserved urban and rural areas.

B. **Pending legislation**: Senators Rockefeller and Snowe introduced S. 2321 -- the "Rural Telecommunications Modernization Act of 2000" on March 29th. The legislation provides an investment tax credit of 10-15 percent (depending on the bandwidth of the facility) for companies than invest in broadband networks for rural subscribers.

Senator Moynihan is working on a broader bill that would also include incentives for investment in poor cities, and incentives for much higher bandwidths in all areas of the country (e.g. 20 megabits/second as opposed to today's DSL which provides 640 kilobits/second).

C. **Design issues** (see discussion in pros/cons)

D. **Pros**:

- There is some evidence to support the contention that companies are investing in urban areas before they invest in rural areas. President has explicitly said that rural areas should not have to wait for 10-20 years before getting broadband.

- U.S. would gain significant "first mover advantage" from being the first country to deploy broadband -- just as we gained significant competitive advantage from being the first country to deploy the "narrowband" Internet.

- Social benefits of broadband include distance learning, telemedicine, higher quality of life in rural areas.

- Tax incentives could distort marketplace less than efforts to finance broadband in rural areas through an expansion of the Universal Service Fund.

E. **Cons**

- Competitive Local Exchange Carriers (CLECs) are currently not profitable because they are investing heavily in new networks. They are concerned that the Incumbent Local Exchange Carriers will benefit disproportionately from an Investment Tax Credit.

- ILECs, which are neutral-to-hostile to the bill, are concerned that this bill would get in the way of their efforts to obtain regulatory relief from provisions of the Telecommunications Act. (This is not really a con from our perspective - but indicates the political obstacles to getting industry support).

- Could be very expensive ($10 billion over 5 years).

F. **Recommendation**: I would not support anything that disproportionately benefited the ILECs, since it would run counter to our goal of promoting competition. I don't know whether this is possible to do -- especially since allowing CLECs to "lease" the tax credits could run counter to our efforts to crack down on tax shelters.

II. Teacher training

A. **Goal**: Encourage elementary and secondary teachers to purchase computers and get training in how to use technology in the classroom.

B. **Legislation**: Representative Stabenow has introduced two pieces of legislation (H.R. 1075 and 1076) which would:

- Provide a $2,000 credit for teachers for purchases of computers, computer peripherals, and educational software.

- Increase the life-long learning tax credit to 50 percent for teachers than enroll in courses that train teachers to use technology and to integrate technology into the curriculum

C. **Design issues** (none)

D. **Pros**:

- Research shows that educational technology is not likely to improve student performance unless teachers are trained to use technology

E. **Cons**

- No evidence that teachers aren't purchasing PCs on their own

- Sending the signal that teachers are responsible for purchasing their own training

F. **Recommendation**: I would be more inclined to support the training tax credit -- as opposed to the computer tax credit. I think we need to talk with NEA and AFT about whether it is unreasonable to expect teachers to pay for their own training -- as this bill seems to suggest.

III. Expansion of existing Administration proposals

A. **Goals**: Encourage companies to:

- Donate computers to schools, libraries, and community technology centers

- Sponsor "qualified zone academies" (schools, libraries, community technology centers) in Empowerment Zones or Enterprise Communities

- Provide education programs in workplace literacy and basic computer skills

B. **Pending legislation**: New Millenium Classrooms Act (which passed the Senate 96-2 as an amendment to the Affordable Education Act) is different from our proposal in several respects:

- Computers can be up to three years old, as opposed to 2

- A company that reacquires the computer can be eligible for the credit

- [Credit may be different -- need to check with Treasury.]

C. **Design issues**:

1. Should we agree to some of the provisions in the New Millenium Classrooms Act (will be controversial with some in the education community -- especially the 3-year provision).

2. Our workplace literacy and computer skills tax credit is generally limited to people who lack a high-school degree. If they have a high school degree, they have to fail a basic skills test. This may make sense for workplace literacy, but not for computer skills. We ought to consider expanding this along the following dimensions:

   - Not limiting it just to people with below a high-school degree

   - Making sure that temp agencies like Manpower can take advantage of it

   - For low-income workers -- including not only basic computer skills but the kind of skills identified in the Conrad bill (e.g. computer programming)

3. The "qualified zone academy" credit is currently limited to Empowerment Zones and Enterprise Communities. This is because the credit is an "allocable" credit of 50 percent. If we wanted to expand this -- we would need to determine which political authority would be responsible for allocating the credit.

IV. Other ideas -- no pending legislation

1. Expanded R&D credit for R&D that would help close digital divide through:

   - Advanced educational technology and evaluation of technology in the classroom

   - Making IT products and services more accessible for people with disabilities

   Credit could either be (a) expanded version of R&E credit; or (b) allocable credit awarded by competitive, merit-based process established by NSF and Department of Education.

2. Tax incentives for investments in "social venture capital" organizations that have as their primary mission creating digital opportunity for more Americans. Credits could be similar to NMVC. Social venture capital firms make investments on the basis of both social and private return on investment. Examples of investments could be development of Internet-based content aimed at the needs of low-income families.