

Public Law 92-512

AN ACT

October 20, 1972
[H. R. 14370]

To provide fiscal assistance to State and local governments, to authorize Federal collection of State individual income taxes, and for other purposes.

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

Federal State
revenue sharing.**TITLE I—FISCAL ASSISTANCE TO STATE AND LOCAL GOVERNMENTS****Subtitle A—Allocation and Payment of Funds****SEC. 101. SHORT TITLE.**

This title may be cited as the “State and Local Fiscal Assistance Act of 1972”.

Citation of
title.**SEC. 102. PAYMENTS TO STATE AND LOCAL GOVERNMENTS.**

Except as otherwise provided in this title, the Secretary shall, for each entitlement period, pay out of the Trust Fund to—

(1) each State government a total amount equal to the entitlement of such State government determined under section 107 for such period, and

(2) each unit of local government a total amount equal to the entitlement of such unit determined under section 108 for such period.

In the case of entitlement periods ending after the date of the enactment of this Act, such payments shall be made in installments, but not less often than once for each quarter, and, in the case of quarters ending after September 30, 1972, shall be paid not later than 5 days after the close of each quarter. Such payments for any entitlement period may be initially made on the basis of estimates. Proper adjustment shall be made in the amount of any payment to a State government or a unit of local government to the extent that the payments previously made to such government under this subtitle were in excess of or less than the amounts required to be paid.

SEC. 103. USE OF FUNDS BY LOCAL GOVERNMENTS FOR PRIORITY EXPENDITURES.

(a) IN GENERAL.—Funds received by units of local government under this subtitle may be used only for priority expenditures. For purposes of this title, the term “priority expenditures” means only—

“Priority
expenditures.”

(1) ordinary and necessary maintenance and operating expenses for—

(A) public safety (including law enforcement, fire protection, and building code enforcement),

(B) environmental protection (including sewage disposal, sanitation, and pollution abatement),

(C) public transportation (including transit systems and streets and roads),

(D) health,

(E) recreation,

(F) libraries,

(G) social services for the poor or aged, and

(H) financial administration; and

(2) ordinary and necessary capital expenditures authorized by law.

(b) CERTIFICATES BY LOCAL GOVERNMENTS.—The Secretary is authorized to accept a certification by the chief executive officer of a unit of local government that the unit of local government has used

the funds received by it under this subtitle for an entitlement period only for priority expenditures, unless he determines that such certification is not sufficiently reliable to enable him to carry out his duties under this title.

SEC. 104. PROHIBITION ON USE AS MATCHING FUNDS BY STATE OR LOCAL GOVERNMENTS.

(a) **IN GENERAL.**—No State government or unit of local government may use, directly or indirectly, any part of the funds it receives under this subtitle as a contribution for the purpose of obtaining Federal funds under any law of the United States which requires such government to make a contribution in order to receive Federal funds.

(b) **DETERMINATIONS BY SECRETARY OF THE TREASURY.**—If the Secretary has reason to believe that a State government or unit of local government has used funds received under this subtitle in violation of subsection (a), he shall give reasonable notice and opportunity for hearing to such government. If, thereafter, the Secretary of the Treasury determines that such government has used funds in violation of subsection (a), he shall notify such government of his determination and shall request repayment to the United States of an amount equal to the funds so used. To the extent that such government fails to repay such amount, the Secretary shall withhold from subsequent payments to such government under this subtitle an amount equal to the funds so used.

(c) **INCREASED STATE OR LOCAL GOVERNMENT REVENUES.**—No State government or unit of local government shall be determined to have used funds in violation of subsection (a) with respect to any funds received for any entitlement period to the extent that the net revenues received by it from its own sources during such period exceed the net revenues received by it from its own sources during the one-year period beginning July 1, 1971 (or one-half of such net revenues, in the case of an entitlement period of 6 months).

(d) **DEPOSITS AND TRANSFERS TO GENERAL FUND.**—Any amount repaid by a State government or unit of local government under subsection (b) shall be deposited in the general fund of the Treasury. An amount equal to the reduction in payments to any State government or unit of local government which results from the application of this section (after any judicial review under section 143) shall be transferred from the Trust Fund to the general fund of the Treasury on the day on which such reduction becomes final.

(e) **CERTIFICATES BY STATE AND LOCAL GOVERNMENTS.**—The Secretary is authorized to accept a certification by the Governor of a State or the chief executive officer of a unit of local government that the State government or unit of local government has not used any funds received by it under this subtitle for an entitlement period in violation of subsection (a), unless he determines that such certification is not sufficiently reliable to enable him to carry out his duties under this title.

SEC. 105. CREATION OF TRUST FUND; APPROPRIATIONS.

(a) **TRUST FUND.**—

(1) **IN GENERAL.**—There is hereby established on the books of the Treasury of the United States a trust fund to be known as the "State and Local Government Fiscal Assistance Trust Fund" (referred to in this subtitle as the "Trust Fund"). The Trust Fund shall remain available without fiscal year limitation and shall consist of such amounts as may be appropriated to it and deposited in it as provided in subsection (b). Except as provided in this title,

amounts in the Trust Fund may be used only for the payments to State and local governments provided by this subtitle.

(2) **TRUSTEE.**—The Secretary of the Treasury shall be the trustee of the Trust Fund and shall report to the Congress not later than March 1 of each year on the operation and status of the Trust Fund during the preceding fiscal year.

Report to
Congress.

(b) **APPROPRIATIONS.**—

(1) **IN GENERAL.**—There is appropriated to the Trust Fund, out of amounts in the general fund of the Treasury attributable to the collections of the Federal individual income taxes not otherwise appropriated—

(A) for the period beginning January 1, 1972, and ending June 30, 1972, \$2,650,000,000;

(B) for the period beginning July 1, 1972, and ending December 31, 1972, \$2,650,000,000;

(C) for the period beginning January 1, 1973, and ending June 30, 1973, \$2,987,500,000;

(D) for the fiscal year beginning July 1, 1973, \$6,050,000,000;

(E) for the fiscal year beginning July 1, 1974, \$6,200,000,000;

(F) for the fiscal year beginning July 1, 1975, \$6,350,000,000; and

(G) for the period beginning July 1, 1976, and ending December 31, 1976, \$3,325,000,000.

(2) **NONCONTIGUOUS STATES ADJUSTMENT AMOUNTS.**—There is appropriated to the Trust Fund, out of amounts in the general fund of the Treasury attributable to the collections of the Federal individual income taxes not otherwise appropriated—

(A) for the period beginning January 1, 1972, and ending June 30, 1972, \$2,390,000;

(B) for the period beginning July 1, 1972, and ending December 31, 1972, \$2,390,000;

(C) for the period beginning January 1, 1973, and ending June 30, 1973, \$2,390,000;

(D) for each of the fiscal years beginning July 1, 1973, July 1, 1974, and July 1, 1975, \$4,780,000; and

(E) for the period beginning July 1, 1976, and ending December 31, 1976, \$2,390,000.

(3) **DEPOSITS.**—Amounts appropriated by paragraph (1) or (2) for any fiscal year or other period shall be deposited in the Trust Fund on the later of (A) the first day of such year or period, or (B) the day after the date of enactment of this Act.

(c) **TRANSFERS FROM TRUST FUND TO GENERAL FUND.**—The Secretary shall from time to time transfer from the Trust Fund to the general fund of the Treasury any moneys in the Trust Fund which he determines will not be needed to make payments to State governments and units of local government under this subtitle.

SEC. 106. ALLOCATION AMONG STATES.

(a) **IN GENERAL.**—There shall be allocated to each State for each entitlement period, out of amounts appropriated under section 105(b) (1) for that entitlement period, an amount which bears the same ratio to the amount appropriated under that section for that period as the amount allocable to that State under subsection (b) bears to the sum of the amounts allocable to all States under subsection (b).

(b) **DETERMINATION OF ALLOCABLE AMOUNT.**—

(1) **IN GENERAL.**—For purposes of subsection (a), the amount allocable to a State under this subsection for any entitlement period shall be determined under paragraph (2), except that such amount shall be determined under paragraph (3) if the amount allocable to it under paragraph (3) is greater than the sum of the amounts allocable to it under paragraph (2) and subsection (c).

(2) **THREE FACTOR FORMULA.**—For purposes of paragraph (1), the amount allocable to a State under this paragraph for any entitlement period is the amount which bears the same ratio to \$5,300,000,000 as—

(A) the population of that State, multiplied by the general tax effort factor of that State, multiplied by the relative income factor of that State, bears to

(B) the sum of the products determined under subparagraph (A) for all States.

(3) **FIVE FACTOR FORMULA.**—For purposes of paragraph (1), the amount allocable to a State under this paragraph for any entitlement period is the amount to which that State would be entitled if—

(A) $\frac{1}{3}$ of \$3,500,000,000 were allocated among the States on the basis of population.

(B) $\frac{1}{3}$ of \$3,500,000,000 were allocated among the States on the basis of urbanized population.

(C) $\frac{1}{3}$ of \$3,500,000,000 were allocated among the States on the basis of population inversely weighted for per capita income.

(D) $\frac{1}{2}$ of \$1,800,000,000 were allocated among the States on the basis of income tax collections, and

(E) $\frac{1}{2}$ of \$1,800,000,000 were allocated among the States on the basis of general tax effort.

(c) **NONCONTIGUOUS STATES ADJUSTMENT.**—

(1) **IN GENERAL.**—In addition to amounts allocated among the States under subsection (a), there shall be allocated for each entitlement period, out of amounts appropriated under section 105(b)(2), an additional amount to any State (A) whose allocation under subsection (b) is determined by the formula set forth in paragraph (2) of that subsection and (B) in which civilian employees of the United States Government receive an allowance under section 5941 of title 5, United States Code.

(2) **DETERMINATION OF AMOUNT.**—The additional amount allocable to any State under this subsection for any entitlement period is an amount equal to a percentage of the amount allocable to that State under subsection (b)(2) for that period which is the same as the percentage of basic pay received by such employees stationed in that State as an allowance under such section 5941. If the total amount appropriated under section 105(b)(2) for any entitlement period is not sufficient to pay in full the additional amounts allocable under this subsection for that period, the Secretary shall reduce proportionately the amounts so allocable.

SEC. 107. ENTITLEMENTS OF STATE GOVERNMENTS.

(a) **DIVISION BETWEEN STATE AND LOCAL GOVERNMENTS.**—The State government shall be entitled to receive one-third of the amount allocated to that State for each entitlement period. The remaining portion of each State's allocation shall be allocated among the units of local government of that State as provided in section 108.

(b) **STATE MUST MAINTAIN TRANSFERS TO LOCAL GOVERNMENTS.**—

(1) GENERAL RULE.—The entitlement of any State government for any entitlement period beginning on or after July 1, 1973, shall be reduced by the amount (if any) by which—

(A) the average of the aggregate amounts transferred by the State government (out of its own sources) during such period and the preceding entitlement period to all units of local government in such State, is less than,

(B) the similar aggregate amount for the one-year period beginning July 1, 1971.

For purposes of subparagraph (A), the amount of any reduction in the entitlement of a State government under this subsection for any entitlement period shall, for subsequent entitlement periods, be treated as an amount transferred by the State government (out of its own sources) during such period to units of local government in such State.

(2) ADJUSTMENT WHERE STATE ASSUMES RESPONSIBILITY FOR CATEGORY OF EXPENDITURES.—If the State government establishes to the satisfaction of the Secretary that since June 30, 1972, it has assumed responsibility for a category of expenditures which (before July 1, 1972) was the responsibility of local governments located in such State, then, under regulations prescribed by the Secretary, the aggregate amount taken into account under paragraph (1) (B) shall be reduced to the extent that increased State government spending (out of its own sources) for such category has replaced corresponding amounts which for the one-year period beginning July 1, 1971, it transferred to units of local government.

(3) ADJUSTMENT WHERE NEW TAXING POWERS ARE CONFERRED UPON LOCAL GOVERNMENTS.—If a State establishes to the satisfaction of the Secretary that since June 30, 1972, one or more units of local government within such State have had conferred upon them new taxing authority, then, under regulations prescribed by the Secretary, the aggregate amount taken into account under paragraph (1) (B) shall be reduced to the extent of the larger of—

(A) an amount equal to the amount of the taxes collected by reason of the exercise of such new taxing authority by such local governments, or

(B) an amount equal to the amount of the loss of revenue to the State by reason of such new taxing authority being conferred on such local governments.

No amount shall be taken into consideration under subparagraph (A) if such new taxing authority is an increase in the authorized rate of tax under a previously authorized kind of tax, unless the State is determined by the Secretary to have decreased a related State tax.

(4) SPECIAL RULE FOR PERIOD BEGINNING JULY 1, 1973.—In the case of the entitlement period beginning July 1, 1973, the preceding entitlement period for purposes of paragraph (1) (A) shall be treated as being the one-year period beginning July 1, 1972.

(5) SPECIAL RULE FOR PERIOD BEGINNING JULY 1, 1976.—In the case of the entitlement period beginning July 1, 1976, and ending December 31, 1976, the aggregate amount taken into account under paragraph (1) (A) for the preceding entitlement period and the aggregate amount taken into account under paragraph (1) (B) shall be one-half of the amounts which (but for this paragraph) would be taken into account.

(6) **REDUCTION IN ENTITLEMENT.**—If the Secretary has reason to believe that paragraph (1) requires a reduction in the entitlement of any State government for any entitlement period, he shall give reasonable notice and opportunity for hearing to the State. If, thereafter, he determines that paragraph (1) requires the reduction of such entitlement, he shall also determine the amount of such reduction and shall notify the Governor of such State of such determinations and shall withhold from subsequent payments to such State government under this subtitle an amount equal to such reduction.

(7) **TRANSFER TO GENERAL FUND.**—An amount equal to the reduction in the entitlement of any State government which results from the application of this subsection (after any judicial review under section 143) shall be transferred from the Trust Fund to the general fund of the Treasury on the day on which such reduction becomes final.

Post, p. 935.

SEC. 108. ENTITLEMENTS OF LOCAL GOVERNMENTS.

(a) **ALLOCATION AMONG COUNTY AREAS.**—The amount to be allocated to the units of local government within a State for any entitlement period shall be allocated among the county areas located in that State so that each county area will receive an amount which bears the same ratio to the total amount to be allocated to the units of local government within that State as—

(1) the population of that county area, multiplied by the general tax effort factor of that county area, multiplied by the relative income factor of that county area, bears to

(2) the sum of the products determined under paragraph (1) for all county areas within that State.

(b) **ALLOCATION TO COUNTY GOVERNMENTS, MUNICIPALITIES, TOWNSHIPS, ETC.**—

(1) **COUNTY GOVERNMENTS.**—The county government shall be allocated that portion of the amount allocated to the county area for the entitlement period under subsection (a) which bears the same ratio to such amount as the adjusted taxes of the county government bear to the adjusted taxes of the county government and all other units of local government located in the county area.

(2) **OTHER UNITS OF LOCAL GOVERNMENT.**—The amount remaining for allocation within a county area after the application of paragraph (1) shall be allocated among the units of local government (other than the county government and other than township governments) located in that county area so that each unit of local government will receive an amount which bears the same ratio to the total amount to be allocated to all such units as—

(A) the population of that local government, multiplied by the general tax effort factor of that local government, multiplied by the relative income factor of that local government, bears to

(B) the sum of the products determined under subparagraph (A) for all such units.

(3) **TOWNSHIP GOVERNMENTS.**—If the county area includes one or more township governments, then before applying paragraph (2)—

(A) there shall be set aside for allocation under subparagraph (B) to such township governments that portion of the amount allocated to the county area for the entitlement period which bears the same ratio to such amount as the sum

of the adjusted taxes of all such township governments bears to the aggregate adjusted taxes of the county government, such township governments, and all other units of local government located in the county area, and

(B) that portion of each amount set aside under subparagraph (A) shall be allocated to each township government on the same basis as amounts are allocated to units of local government under paragraph (2).

If this paragraph applies with respect to any county area for any entitlement period, the remaining portion allocated under paragraph (2) to the units of local government located in the county area (other than the county government and the township governments) shall be appropriately reduced to reflect the amounts set aside under subparagraph (A).

(4) **INDIAN TRIBES AND ALASKAN NATIVE VILLAGES.**—If within a county area there is an Indian tribe or Alaskan native village which has a recognized governing body which performs substantial governmental functions, then before applying paragraph (1) there shall be allocated to such tribe or village a portion of the amount allocated to the county area for the entitlement period which bears the same ratio to such amount as the population of that tribe or village within that county area bears to the population of that county area. If this paragraph applies with respect to any county area for any entitlement period, the amount to be allocated under paragraph (1) shall be appropriately reduced to reflect the amount allocated under the preceding sentence. If the entitlement of any such tribe or village is waived for any entitlement period by the governing body of that tribe or village, then the provisions of this paragraph shall not apply with respect to the amount of such entitlement for such period.

(5) **RULE FOR SMALL UNITS OF GOVERNMENT.**—If the Secretary determines that in any county area the data available for any entitlement period are not adequate for the application of the formulas set forth in paragraphs (2) and (3) (B) with respect to units of local government (other than a county government) with a population below a number (not more than 500) prescribed for that county area by the Secretary, he may apply paragraph (2) or (3) (B) by allocating for such entitlement period to each such unit located in that county area an amount which bears the same ratio to the total amount to be allocated under paragraph (2) or (3) (B) for such entitlement period as the population of such unit bears to the population of all units of local government in that county area to which allocations are made under such paragraph. If the preceding sentence applies with respect to any county area, the total amount to be allocated under paragraph (2) or (3) (B) to other units of local government in that county area for the entitlement period shall be appropriately reduced to reflect the amounts allocated under the preceding sentence.

(6) **ENTITLEMENT.**—

(A) **IN GENERAL.**—Except as otherwise provided in this paragraph, the entitlement of any unit of local government for any entitlement period shall be the amount allocated to such unit under this subsection (after taking into account any applicable modification under subsection (c)).

(B) **MAXIMUM AND MINIMUM PER CAPITA ENTITLEMENT.**—Subject to the provisions of subparagraphs (C) and (D), the per capita amount allocated to any county area or any unit of local government (other than a county government) within a

State under this section for any entitlement period shall not be less than 20 percent, nor more than 145 percent, of two-thirds of the amount allocated to the State under section 106, divided by the population of that State.

(C) **LIMITATION.**—The amount allocated to any unit of local government under this section for any entitlement period shall not exceed 50 percent of the sum of (i) such government's adjusted taxes, and (ii) the intergovernmental transfers of revenue to such government (other than transfers to such government under this subtitle).

(D) **ENTITLEMENT LESS THAN \$200, OR GOVERNING BODY WAIVES ENTITLEMENT.**—If (but for this subparagraph) the entitlement of any unit of local government below the level of the county government—

(i) would be less than \$200 for any entitlement period (\$100 for an entitlement period of 6 months), or

(ii) is waived for any entitlement period by the governing body of such unit,

then the amount of such entitlement for such period shall (in lieu of being paid to such unit) be added to, and shall become a part of, the entitlement for such period of the county government of the county area in which such unit is located.

(7) **ADJUSTMENT OF ENTITLEMENT.**—

(A) **IN GENERAL.**—In adjusting the allocation of any county area or unit of local government, the Secretary shall make any adjustment required under paragraph (6) (B) first, any adjustment required under paragraph (6) (C) next, and any adjustment required under paragraph (6) (D) last.

(B) **ADJUSTMENT FOR APPLICATION OF MAXIMUM OR MINIMUM PER CAPITA ENTITLEMENT.**—The Secretary shall adjust the allocations made under this section to county areas or to units of local governments in any State in order to bring those allocations into compliance with the provisions of paragraph (6) (B). In making such adjustments he shall make any necessary adjustments with respect to county areas before making any necessary adjustments with respect to units of local government.

(C) **ADJUSTMENT FOR APPLICATION OF LIMITATION.**—In any case in which the amount allocated to a unit of local government is reduced under paragraph (6) (C) by the Secretary, the amount of that reduction—

(i) in the case of a unit of local government (other than a county government), shall be added to and increase the allocation of the county government of the county area in which it is located, unless (on account of the application of paragraph (6)) that county government may not receive it, in which case the amount of the reduction shall be added to and increase the entitlement of the State government of the State in which that unit of local government is located; and

(ii) in the case of a county government, shall be added to and increase the entitlement of the State government of the State in which it is located.

(c) **SPECIAL ALLOCATION RULES.**—

(1) **OPTIONAL FORMULA.**—A State may by law provide for the allocation of funds among county areas, or among units of local government (other than county governments), on the basis of the population multiplied by the general tax effort factors of such areas or units of local government, on the basis of the population

multiplied by the relative income factors of such areas or units of local government, or on the basis of a combination of those two factors. Any State which provides by law for such a variation in the allocation formula provided by subsection (a), or by paragraphs (2) and (3) of subsection (b), shall notify the Secretary of such law not later than 30 days before the beginning of the first entitlement period to which such law is to apply. Any such law shall—

(A) provide for allocating 100 percent of the aggregate amount to be allocated under subsection (a), or under paragraphs (2) and (3) of subsection (b);

(B) apply uniformly throughout the State; and

(C) apply during the period beginning on the first day of the first entitlement period to which it applies and ending on December 31, 1976.

(2) **CERTIFICATION.**—Paragraph (1) shall apply within a State only if the Secretary certifies that the State law complies with the requirements of such paragraph. The Secretary shall not certify any such law with respect to which he receives notification later than 30 days prior to the first entitlement period during which it is to apply.

(d) **GOVERNMENTAL DEFINITIONS AND RELATED RULES.**—For purposes of this title—

(1) **UNITS OF LOCAL GOVERNMENT.**—The term “unit of local government” means the government of a county, municipality, township, or other unit of government below the State which is a unit of general government (determined on the basis of the same principles as are used by the Bureau of the Census for general statistical purposes). Such term also means, except for purposes of paragraphs (1), (2), (3), (5), (6)(C), and (6)(D) of subsection (b), and, except for purposes of subsection (c), the recognized governing body of an Indian tribe or Alaskan native village which performs substantial governmental functions.

(2) **CERTAIN AREAS TREATED AS COUNTIES.**—In any State in which any unit of local government (other than a county government) constitutes the next level of government below the State government level, then, except as provided in the next sentence, the geographic area of such unit of government shall be treated as a county area (and such unit of government shall be treated as a county government) with respect to that portion of the State's geographic area. In any State in which any county area is not governed by a county government but contains two or more units of local government, such units shall not be treated as county governments and the geographic areas of such units shall not be treated as county areas.

(3) **TOWNSHIPS.**—The term “township” includes equivalent subdivisions of government having different designations (such as “towns”), and shall be determined on the basis of the same principles as are used by the Bureau of the Census for general statistical purposes.

(4) **UNITS OF LOCAL GOVERNMENT LOCATED IN LARGER ENTITY.**—A unit of local government shall be treated as located in a larger entity if part or all of its geographic area is located in the larger entity.

(5) **ONLY PART OF UNIT LOCATED IN LARGER ENTITY.**—If only part of a unit of local government is located in a larger entity, such part shall be treated for allocation purposes as a separate unit of

local government, and all computations shall, except as otherwise provided in regulations, be made on the basis of the ratio which the estimated population of such part bears to the population of the entirety of such unit.

(6) **BOUNDARY CHANGES, GOVERNMENTAL REORGANIZATION, ETC.**—If, by reason of boundary line changes, by reason of State statutory or constitutional changes, by reason of annexations or other governmental reorganizations, or by reason of other circumstances, the application of any provision of this section to units of local government does not carry out the purposes of this subtitle, the application of such provision shall be made, under regulations prescribed by the Secretary, in a manner which is consistent with such purposes.

SEC. 109. DEFINITIONS AND SPECIAL RULES FOR APPLICATION OF ALLOCATION FORMULAS.

(a) **IN GENERAL.**—For purposes of this subtitle—

(1) **POPULATION.**—Population shall be determined on the same basis as resident population is determined by the Bureau of the Census for general statistical purposes.

(2) **URBANIZED POPULATION.**—Urbanized population means the population of any area consisting of a central city or cities of 50,000 or more inhabitants (and of the surrounding closely settled territory for such city or cities) which is treated as an urbanized area by the Bureau of the Census for general statistical purposes.

(3) **INCOME.**—Income means total money income received from all sources, as determined by the Bureau of the Census for general statistical purposes.

(4) **PERSONAL INCOME.**—Personal income means the income of individuals, as determined by the Department of Commerce for national income accounts purposes.

(5) **DATES FOR DETERMINING ALLOCATIONS AND ENTITLEMENTS.**—Except as provided in regulations, the determination of allocations and entitlements for any entitlement period shall be made as of the first day of the third month immediately preceding the beginning of such period.

(6) **INTERGOVERNMENTAL TRANSFERS.**—The intergovernmental transfers of revenue to any government are the amounts of revenue received by that government from other governments as a share in financing (or as reimbursement for) the performance of governmental functions, as determined by the Bureau of the Census for general statistical purposes.

(7) **DATA USED; UNIFORMITY OF DATA.**—

(A) **GENERAL RULE.**—Except as provided in subparagraph (B), the data used shall be the most recently available data provided by the Bureau of the Census or the Department of Commerce, as the case may be.

(B) **USE OF ESTIMATES, ETC.**—Where the Secretary determines that the data referred to in subparagraph (A) are not current enough or are not comprehensive enough to provide for equitable allocations, he may use such additional data (including data based on estimates) as may be provided for in regulations.

(b) **INCOME TAX AMOUNT OF STATES.**—For purposes of this subtitle—

(1) **IN GENERAL.**—The income tax amount of any State for any entitlement period is the income tax amount of such State as determined under paragraphs (2) and (3).

(2) **INCOME TAX AMOUNT.**—The income tax amount of any State for any entitlement period is 15 percent of the net amount collected from the State individual income tax of such State during 1972 or (if later) during the last calendar year ending before the beginning of such entitlement period.

(3) **CEILING AND FLOOR.**—The income tax amount of any State for any entitlement period—

(A) shall not exceed 6 percent, and

(B) shall not be less than 1 percent,

of the Federal individual income tax liabilities attributed to such State for taxable years ending during 1971 or (if later) during the last calendar year ending before the beginning of such entitlement period.

(4) **STATE INDIVIDUAL INCOME TAX.**—The individual income tax of any State is the tax imposed upon the income of individuals by such State and described as a State income tax under section 164(a)(3) of the Internal Revenue Code of 1954.

(5) **FEDERAL INDIVIDUAL INCOME TAX LIABILITIES.**—Federal individual income tax liabilities attributed to any State for any period shall be determined on the same basis as such liabilities are determined for such period by the Internal Revenue Service for general statistical purposes.

78 Stat. 40.
26 USC 164.

(c) **GENERAL TAX EFFORT OF STATES.**—

(1) **IN GENERAL.**—For purposes of this subtitle—

(A) **GENERAL TAX EFFORT FACTOR.**—The general tax effort factor of any State for any entitlement period is (i) the net amount collected from the State and local taxes of such State during the most recent reporting year, divided by (ii) the aggregate personal income (as defined in paragraph (4) of subsection (a)) attributed to such State for the same period.

(B) **GENERAL TAX EFFORT AMOUNT.**—The general tax effort amount of any State for any entitlement period is the amount determined by multiplying—

(i) the net amount collected from the State and local taxes of such State during the most recent reporting year,

by

(ii) the general tax effort factor of that State.

(2) **STATE AND LOCAL TAXES.**—

(A) **TAXES TAKEN INTO ACCOUNT.**—The State and local taxes taken into account under paragraph (1) are the compulsory contributions exacted by the State (or by any unit of local government or other political subdivision of the State) for public purposes (other than employee and employer assessments and contributions to finance retirement and social insurance systems, and other than special assessments for capital outlay), as such contributions are determined by the Bureau of the Census for general statistical purposes.

(B) **MOST RECENT REPORTING YEAR.**—The most recent reporting year with respect to any entitlement period consists of the years taken into account by the Bureau of the Census in its most recent general determination of State and local taxes made before the close of such period.

(d) **GENERAL TAX EFFORT FACTOR OF COUNTY AREA.**—For purposes of this subtitle, the general tax effort factor of any county area for any entitlement period is—

(1) the adjusted taxes of the county government plus the ad-

justed taxes of each other unit of local government within that county area, divided by

(2) the aggregate income (as defined in paragraph (3) of subsection (a)) attributed to that county area.

(e) **GENERAL TAX EFFORT FACTOR OF UNIT OF LOCAL GOVERNMENT.**—For purposes of this subtitle—

(1) **IN GENERAL.**—The general tax effort factor of any unit of local government for any entitlement period is—

(A) the adjusted taxes of that unit of local government, divided by

(B) the aggregate income (as defined in paragraph (3) of subsection (a)) attributed to that unit of local government.

(2) **ADJUSTED TAXES.**—

(A) **IN GENERAL.**—The adjusted taxes of any unit of local government are—

(i) the compulsory contributions exacted by such government for public purposes (other than employee and employer assessments and contributions to finance retirement and social insurance systems, and other than special assessments for capital outlay), as such contributions are determined by the Bureau of the Census for general statistical purposes,

(ii) adjusted (under regulations prescribed by the Secretary) by excluding an amount equal to that portion of such compulsory contributions which is properly allocable to expenses for education.

(B) **CERTAIN SALES TAXES COLLECTED BY COUNTIES.**—In any case where—

(i) a county government exacts sales taxes within the geographic area of a unit of local government and transfers part or all of such taxes to such unit without specifying the purposes for which such unit may spend the revenues, and

(ii) the Governor of the State notifies the Secretary that the requirements of this subparagraph have been met with respect to such taxes,

then the taxes so transferred shall be treated as the taxes of the unit of local government (and not the taxes of the county government).

(f) **RELATIVE INCOME FACTOR.**—For purposes of this subtitle, the relative income factor is a fraction—

(1) in the case of a State, the numerator of which is the per capita income of the United States and the denominator of which is the per capita income of that State;

(2) in the case of a county area, the numerator of which is the per capita income of the State in which it is located and the denominator of which is the per capita income of that county area; and

(3) in the case of a unit of local government, the numerator of which is the per capita income of the county area in which it is located and the denominator of which is the per capita income of the geographic area of that unit of local government.

For purposes of this subsection, per capita income shall be determined on the basis of income as defined in paragraph (3) of subsection (a).

(g) **ALLOCATION RULES FOR FIVE FACTOR FORMULA.**—For purposes of section 106(b) (3)—

(1) **ALLOCATION ON BASIS OF POPULATION.**—Any allocation among the States on the basis of population shall be made by

allocating to each State an amount which bears the same ratio to the total amount to be allocated as the population of such State bears to the population of all the States.

(2) **ALLOCATION ON BASIS OF URBANIZED POPULATION.**—Any allocation among the States on the basis of urbanized population shall be made by allocating to each State an amount which bears the same ratio to the total amount to be allocated as the urbanized population of such State bears to the urbanized population of all the States.

(3) **ALLOCATION ON BASIS OF POPULATION INVERSELY WEIGHTED FOR PER CAPITA INCOME.**—Any allocation among the States on the basis of population inversely weighted for per capita income shall be made by allocating to each State an amount which bears the same ratio to the total amount to be allocated as—

(A) the population of such State, multiplied by a fraction the numerator of which is the per capita income of all the States and the denominator of which is the per capita income of such State, bears to

(B) the sum of the products determined under subparagraph (A) for all the States.

(4) **ALLOCATION ON BASIS OF INCOME TAX COLLECTIONS.**—Any allocation among the States on the basis of income tax collections shall be made by allocating to each State an amount which bears the same ratio to the total amount to be allocated as the income tax amount of such State bears to the sum of the income tax amounts of all the States.

(5) **ALLOCATION ON BASIS OF GENERAL TAX EFFORT.**—Any allocation among the States on the basis of general tax effort shall be made by allocating to each State an amount which bears the same ratio to the total amount to be allocated as the general tax effort amount of such State bears to the sum of the general tax effort amounts of all the States.

Subtitle B—Administrative Provisions

SEC. 121. REPORTS ON USE OF FUNDS; PUBLICATION.

(a) **REPORTS ON USE OF FUNDS.**—Each State government and unit of local government which receives funds under subtitle A shall, after the close of each entitlement period, submit a report to the Secretary setting forth the amounts and purposes for which funds received during such period have been spent or obligated. Such reports shall be in such form and detail and shall be submitted at such time as the Secretary may prescribe.

(b) **REPORTS ON PLANNED USE OF FUNDS.**—Each State government and unit of local government which expects to receive funds under subtitle A for any entitlement period beginning on or after January 1, 1973, shall submit a report to the Secretary setting forth the amounts and purposes for which it plans to spend or obligate the funds which it expects to receive during such period. Such reports shall be in such form and detail as the Secretary may prescribe and shall be submitted at such time before the beginning of the entitlement period as the Secretary may prescribe.

(c) **PUBLICATION AND PUBLICITY OF REPORTS.**—Each State government and unit of local government shall have a copy of each report submitted by it under subsection (a) or (b) published in a newspaper which is published within the State and has general circulation within the geographic area of that government. Each State government and unit of local government shall advise the news media of the publication of its reports pursuant to this subsection.

SEC. 122. NONDISCRIMINATION PROVISION.

(a) **IN GENERAL.**—No person in the United States shall on the ground of race, color, national origin, or sex be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity funded in whole or in part with funds made available under subtitle A.

(b) **AUTHORITY OF SECRETARY.**—Whenever the Secretary determines that a State government or unit of local government has failed to comply with subsection (a) or an applicable regulation, he shall notify the Governor of the State (or, in the case of a unit of local government, the Governor of the State in which such unit is located) of the non-compliance and shall request the Governor to secure compliance. If within a reasonable period of time the Governor fails or refuses to secure compliance, the Secretary is authorized (1) to refer the matter to the Attorney General with a recommendation that an appropriate civil action be instituted; (2) to exercise the powers and functions provided by title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d) ; or (3) to take such other action as may be provided by law.

78 Stat. 252.

(c) **AUTHORITY OF ATTORNEY GENERAL.**—When a matter is referred to the Attorney General pursuant to subsection (b), or whenever he has reason to believe that a State government or unit of local government is engaged in a pattern or practice in violation of the provisions of this section, the Attorney General may bring a civil action in any appropriate United States district court for such relief as may be appropriate, including injunctive relief.

SEC. 123. MISCELLANEOUS PROVISIONS.

(a) **ASSURANCES TO THE SECRETARY.**—In order to qualify for any payment under subtitle A for any entitlement period beginning on or after January 1, 1973, a State government or unit of local government must establish (in accordance with regulations prescribed by the Secretary, and, with respect to a unit of local government, after an opportunity for review and comment by the Governor of the State in which such unit is located) to the satisfaction of the Secretary that—

(1) it will establish a trust fund in which it will deposit all payments it receives under subtitle A ;

(2) it will use amounts in such trust fund (including any interest earned thereon while in such trust fund) during such reasonable period or periods as may be provided in such regulations;

(3) in the case of a unit of local government, it will use amounts in such trust fund (including any interest earned thereon while in such trust fund) only for priority expenditures (as defined in section 103(a)), and will pay over to the Secretary (for deposit in the general fund of the Treasury) an amount equal to 110 percent of any amount expended out of such trust fund in violation of this paragraph, unless such amount is promptly repaid to such trust fund (or the violation is otherwise corrected) after notice and opportunity for corrective action;

(4) it will provide for the expenditure of amounts received under subtitle A only in accordance with the laws and procedures applicable to the expenditure of its own revenues;

(5) it will—

(A) use fiscal, accounting, and audit procedures which conform to guidelines established therefor by the Secretary (after consultation with the Comptroller General of the United States),

(B) provide to the Secretary (and to the Comptroller General of the United States), on reasonable notice, access to, and

the right to examine, such books, documents, papers, or records as the Secretary may reasonably require for purposes of reviewing compliance with this title (or, in the case of the Comptroller General, as the Comptroller General may reasonably require for purposes of reviewing compliance and operations under subsection (c) (2)), and

(C) make such annual and interim reports (other than reports required by section 121) to the Secretary as he may reasonably require;

Reports.

(6) all laborers and mechanics employed by contractors or subcontractors in the performance of work on any construction project, 25 percent or more of the costs of which project are paid out of its trust fund established under paragraph (1), will be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act, as amended (40 U.S.C. 276a-276a-5), and that with respect to the labor standards specified in this paragraph the Secretary of Labor shall act in accordance with Reorganization Plan Numbered 14 of 1950 (15 F.R. 3176; 64 Stat. 1267) and section 2 of the Act of June 13, 1934, as amended (40 U.S.C. 276c);

49 Stat. 1011.

5 USC app.
63 Stat. 108.

(7) individuals employed by it whose wages are paid in whole or in part out of its trust fund established under paragraph (1) will be paid wages which are not lower than the prevailing rates of pay for persons employed in similar public occupations by the same employer; and

(8) in the case of a unit of local government as defined in the second sentence of section 108(d)(1) (relating to governments of Indian tribes and Alaskan native villages), it will expend funds received by it under subtitle A for the benefit of members of the tribe or village residing in the county area from the allocation of which funds are allocated to it under section 108(b)(4).

Paragraph (7) shall apply with respect to employees in any category only if 25 percent or more of the wages of all employees of the State government or unit of local government in such category are paid from the trust fund established by it under paragraph (1).

(b) **WITHHOLDING OF PAYMENTS.**—If the Secretary determines that a State government or unit of local government has failed to comply substantially with any provision of subsection (a) or any regulations prescribed thereunder, after giving reasonable notice and opportunity for a hearing to the Governor of the State or the chief executive officer of the unit of local government, he shall notify the State government or unit of local government that if it fails to take corrective action within 60 days from the date of receipt of such notification further payments to it will be withheld for the remainder of the entitlement period and for any subsequent entitlement period until such time as the Secretary is satisfied that appropriate corrective action has been taken and that there will no longer be any failure to comply. Until he is satisfied, the Secretary shall make no further payments of such amounts.

(c) **ACCOUNTING, AUDITING, AND EVALUATION.**—

(1) **IN GENERAL.**—The Secretary shall provide for such accounting and auditing procedures, evaluations, and reviews as may be necessary to insure that the expenditures of funds received under subtitle A by State governments and units of local government comply fully with the requirements of this title. The Secretary is authorized to accept an audit by a State of such expenditures of a

State government or unit of local government if he determines that such audit and the audit procedures of that State are sufficiently reliable to enable him to carry out his duties under this title.

(2) **COMPTROLLER GENERAL SHALL REVIEW COMPLIANCE.**—The Comptroller General of the United States shall make such reviews of the work as done by the Secretary, the State governments, and the units of local government as may be necessary for the Congress to evaluate compliance and operations under this title.

Subtitle C—General Provisions

SEC. 141. DEFINITIONS AND SPECIAL RULES.

(a) **SECRETARY.**—For purposes of this title, the term “Secretary” means the Secretary of the Treasury or his delegate. The term “Secretary of the Treasury” means the Secretary of the Treasury personally, not including any delegate.

(b) **ENTITLEMENT PERIOD.**—For purposes of this title, the term “entitlement period” means—

(1) The period beginning January 1, 1972, and ending June 30, 1972.

(2) The period beginning July 1, 1972, and ending December 31, 1972.

(3) The period beginning January 1, 1973, and ending June 30, 1973.

(4) The one-year periods beginning on July 1 of 1973, 1974, and 1975.

(5) The period beginning July 1, 1976, and ending December 31, 1976.

(c) **DISTRICT OF COLUMBIA.**—

(1) **TREATMENT AS STATE AND LOCAL GOVERNMENT.**—For purposes of this title, the District of Columbia shall be treated both—

(A) as a State (and any reference to the Governor of a State shall, in the case of the District of Columbia, be treated as a reference to the Commissioner of the District of Columbia), and

(B) as a county area which has no units of local government (other than itself) within its geographic area.

(2) **REDUCTION IN CASE OF INCOME TAX ON NONRESIDENT INDIVIDUALS.**—If there is hereafter enacted a law imposing a tax on income earned in the District of Columbia by individuals who are not residents of the District of Columbia, then the entitlement of the District of Columbia under subtitle A for any entitlement period shall be reduced by an amount equal to the net collections from such tax during such entitlement period attributable to individuals who are not residents of the District of Columbia. The preceding sentence shall not apply if—

(A) the District of Columbia and Maryland enter into an agreement under which each State agrees to impose a tax on income earned in that State by individuals who are residents of the other State, and the District of Columbia and Virginia enter into an agreement under which each State agrees to impose a tax on income earned in that State by individuals who are residents of the other State, or

(B) the Congress enacts a law directly imposing a tax on income earned in the District of Columbia by individuals who are not residents of the District of Columbia.

SEC. 142. REGULATIONS.

(a) **GENERAL RULE.**—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the provisions of this title.

(b) **ADMINISTRATIVE PROCEDURE ACT TO APPLY.**—The rulemaking provisions of subchapter II of chapter 5 of title 5 of the United States Code shall apply to the regulations prescribed under this title for entitlement periods beginning on or after January 1, 1973.

80 Stat. 381.
5 USC 551.

SEC. 143. JUDICIAL REVIEW.

(a) **PETITIONS FOR REVIEW.**—Any State which receives a notice of reduction in entitlement under section 107(b), and any State or unit of local government which receives a notice of withholding of payments under section 104(b) or 123(b), may, within 60 days after receiving such notice, file with the United States court of appeals for the circuit in which such State or unit of local government is located a petition for review of the action of the Secretary. A copy of the petition shall forthwith be transmitted to the Secretary; a copy shall also forthwith be transmitted to the Attorney General.

(b) **RECORD.**—The Secretary shall file in the court the record of the proceeding on which he based his action, as provided in section 2112 of title 28, United States Code. No objection to the action of the Secretary shall be considered by the court unless such objection has been urged before the Secretary.

72 Stat. 941;
80 Stat. 1323.

(c) **JURISDICTION OF COURT.**—The court shall have jurisdiction to affirm or modify the action of the Secretary or to set it aside in whole or in part. The findings of fact by the Secretary, if supported by substantial evidence contained in the record, shall be conclusive. However, if any finding is not supported by substantial evidence contained in the record, the court may remand the case to the Secretary to take further evidence, and the Secretary may thereupon make new or modified findings of fact and may modify his previous actions. He shall certify to the court the record of any further proceedings. Such new or modified findings of fact shall likewise be conclusive if supported by substantial evidence contained in the record.

(d) **REVIEW BY SUPREME COURT.**—The judgment of the court shall be subject to review by the Supreme Court of the United States upon certiorari or certification, as provided in section 1254 of title 28, United States Code.

62 Stat. 928.

SEC. 144. AUTHORITY TO REQUIRE INFORMATION ON INCOME TAX RETURNS.

(a) **GENERAL RULE.**—

(1) **INFORMATION WITH RESPECT TO PLACE OF RESIDENCE.**—Subpart B of part II of subchapter A of chapter 61 of the Internal Revenue Code of 1954 (relating to income tax returns) is amended by adding at the end thereof the following new section:

68A Stat. 731.
26 USC 6001.

“SEC. 6017A. PLACE OF RESIDENCE.

“In the case of an individual, the information required on any return with respect to the taxes imposed by chapter 1 for any period shall include information as to the State, county, municipality, and any other unit of local government in which the taxpayer (and any other individual with respect to whom an exemption is claimed on such return) resided on one or more dates (determined in the manner provided by regulations prescribed by the Secretary or his delegate) during such period.”

26 USC 1.

(2) **CLERICAL AMENDMENT.**—The table of sections for such subpart B is amended by adding at the end thereof the following:

"Sec. 6017A. Place of residence."

(b) CIVIL PENALTY.—

68A Stat. 828;
85 Stat. 551.
26 USC 6651.

(1) IN GENERAL.—Subchapter B of chapter 68 of the Internal Revenue Code of 1954 is amended by adding at the end thereof the following new section:

"SEC. 6687. FAILURE TO SUPPLY INFORMATION WITH RESPECT TO PLACE OF RESIDENCE.

"(a) CIVIL PENALTY.—If any person fails to include on his return any information required under section 6017A with respect to his place of residence, he shall pay a penalty of \$5 for each such failure, unless it is shown that such failure is due to reasonable cause.

26 USC 6211.
26 USC 4940.

"(b) DEFICIENCY PROCEDURES NOT TO APPLY.—Subchapter B of chapter 63 (relating to deficiency procedures for income, estate, gift, and chapter 42 taxes) shall not apply in respect of the assessment or collection of any penalty imposed by subsection (a)."

(2) CLERICAL AMENDMENT.—The table of sections for such subchapter B is amended by adding at the end thereof the following:

"Sec. 6687. Failure to supply information with respect to place of residence."

TITLE II—FEDERAL COLLECTION OF STATE INDIVIDUAL INCOME TAXES

SEC. 201. SHORT TITLE.

Citation of
title.

This title may be cited as the "Federal-State Tax Collection Act of 1972".

SEC. 202. COLLECTION PROVISIONS.

26 USC 6301.

(a) AMENDMENT OF CHAPTER 64.—Chapter 64 of the Internal Revenue Code of 1954 (relating to collection) is amended by adding at the end thereof the following new subchapter:

"Subchapter E—Collection of State Individual Income Taxes

"Sec. 6361. General rules.

"Sec. 6362. Qualified State individual income taxes.

"Sec. 6363. State agreements; other procedures.

"Sec. 6364. Regulations.

"Sec. 6365. Definitions and special rules.

"SEC. 6361. GENERAL RULES.

26 USC 8001,
3401.
26 USC 1.

18 USC 1 et seq.

"(a) COLLECTION AND ADMINISTRATION.—In the case of any State which has in effect an agreement with the Secretary entered into under section 6363, the Secretary or his delegate shall collect and administer the qualified State individual income taxes of such State. All provisions of this subtitle, subtitle G, and chapter 24 relating to the collection and administration of the taxes imposed by chapter 1 on the incomes of individuals (and all civil and criminal sanctions provided by this subtitle or by title 18 of the United States Code with respect to such collection and administration) shall apply to the collection and administration of qualified State individual income taxes as if such taxes were imposed by chapter 1, except to the extent that their application is modified by the Secretary or his delegate by regulations necessary or appropriate to reflect the provisions of this subchapter, or to reflect differences in the taxes or differences in the situations in which liability for such taxes arises.

"(b) CIVIL PROCEEDINGS.—Any person shall have, with respect to a qualified State individual income tax (including the current collection thereof), the same right to bring or contest a civil action and obtain review thereof, in the same court or courts and subject to the

same requirements and procedures, as he would have under chapter 76, and under title 28 of the United States Code, if the tax were imposed by section 1 (or were for the current collection of the tax imposed by section 1). To the extent that the preceding sentence provides judicial procedures (including review procedures) with respect to any matter, such procedures shall replace judicial procedures under State law, except that nothing in this subchapter shall be construed in any way to affect the right or power of a State court to pass on matters involving the constitution of that State.

68A Stat. 873.
26 USC 7401.
28 USC 1 *et seq.*

“(c) TRANSFERS TO STATES.—

“(1) PROMPT TRANSFERS.—Any amount collected under this subchapter which is apportioned to a qualified State individual income tax shall be promptly transferred to the State on the basis of estimates by the Secretary or his delegate. In the case of amounts collected under chapter 24, the estimated amount due the State shall be transferred to the State not later than the close of the third business day after the amount is deposited in a Federal Reserve bank. In the case of amounts collected pursuant to a return, a declaration of estimated tax, an amendment of such a declaration, or otherwise, the estimated amount due the State shall be transferred to the State not later than the close of the 30th day after the amount is received by the Secretary or his delegate.

26 USC 3401.

“(2) ADJUSTMENTS.—Not less often than once each fiscal year the difference between collections (adjusted for credits and refunds) made under this subchapter during the preceding fiscal year and the transfers to the States made on account of estimates of such collections shall be determined, and such difference shall be a charge against, or an addition to, the amounts otherwise payable.

“(d) SPECIAL RULES.—

“(1) UNITED STATES TO REPRESENT STATE INTEREST.—

“(A) GENERAL RULE.—In all administrative proceedings, and in all judicial proceedings (whether civil or criminal), relating to the administration and collection of a State qualified individual income tax the interests of the State imposing such tax shall be represented by the United States in the same manner in which the interests of the United States are represented in corresponding proceedings involving the taxes imposed by chapter 1.

“(B) EXCEPTIONS.—Subparagraph (A) shall not apply to—

“(i) proceedings in a State court involving the constitution of that State, and

“(ii) proceedings involving the relationship between the United States and the State.

“(2) ALLOCATION OF OVERPAYMENTS AND UNDERPAYMENTS.—If the combined amount collected in respect of a qualified State individual income tax for any period and the taxes imposed by chapter 1 for such period with respect to the income of any individual is greater or less than the combined amount required to be paid for such period, the collected amount shall be divided between the accounts for such taxes on the basis of the respective amounts required to be paid.

“(3) FINALITY OF ADMINISTRATIVE DETERMINATIONS.—Administrative determinations of the Secretary or his delegate as to tax liabilities of, or refunds owing to, individuals with respect to qualified State individual income taxes shall not be reviewed by or enforced by any officer or employee of any State or political subdivision of a State.

"SEC. 6362. QUALIFIED STATE INDIVIDUAL INCOME TAXES.

"(a) QUALIFIED STATE INDIVIDUAL INCOME TAXES DEFINED.—For purposes of this subchapter—

"(1) IN GENERAL.—The term 'qualified State individual income tax' means—

"(A) a qualified resident tax, and

"(B) a qualified nonresident tax.

"(2) QUALIFIED RESIDENT TAX.—The term 'qualified resident tax' means a tax imposed by a State on the income of individuals who are residents of such State which is either—

"(A) a tax based on taxable income which meets the requirements of subsection (b), or

"(B) a tax which is a percentage of the Federal tax which meets the requirements of subsection (c),

and which, in addition, meets the requirements of subsections (e) and (f).

"(3) QUALIFIED NONRESIDENT TAX.—The term 'qualified nonresident tax' means a tax which is imposed by a State on the wage and other business income of individuals who are not residents of such State and which meets the requirements of subsections (d), (e), and (f).

"(b) QUALIFIED RESIDENT TAX BASED ON TAXABLE INCOME.—

"(1) IN GENERAL.—A tax meets the requirements of this subsection only if it is imposed on an amount equal to the individual's taxable income (as defined in section 63) for the taxable year, adjusted—

"(A) by subtracting an amount equal to the amount of his interest on obligations of the United States which was included in his gross income for the year,

"(B) by adding an amount equal to his net State income tax deduction for the year, and

"(C) by adding an amount equal to his net tax-exempt income for the year.

"(2) PERMITTED ADJUSTMENTS.—A tax which otherwise meets the requirements of paragraph (1) shall not be deemed to fail to meet such requirements solely because it provides for one or more of the following adjustments:

"(A) There is imposed a tax on the amount taxed under section 56 (relating to the minimum tax for tax preferences).

"(B) A credit determined under rules prescribed by the Secretary or his delegate is allowed against such tax for income tax paid to another State or a political subdivision thereof.

"(3) NET STATE INCOME TAX DEDUCTION.—For purposes of this subsection and subsection (c), the term 'net State income tax deduction' means the excess (if any) of (A) the amount deducted from income under section 164(a)(3) as taxes paid to a State or a political subdivision thereof, over (B) amounts included in income as recoveries of prior income taxes paid to a State or a political subdivision thereof which had been deducted under section 164(a)(3).

"(4) NET TAX-EXEMPT INCOME.—For purposes of this subsection and subsection (c), the term 'net tax-exempt income' means the excess (if any) of—

"(A) the interest on obligations described in section 103 (a)(1) other than obligations of the State and its political subdivisions, and

68A Stat. 18.
26 USC 63.

83 Stat. 580;
85 Stat. 558.

78 Stat. 40.

“(B) the interest on obligations described in such section of the State and its political subdivision which under the law of the State is subject to the individual income tax imposed by the State, over

the sum of the amount of deductions allocable to such interest which is disallowed by application of section 265, and the amount of the proper adjustment to basis allocable to such obligations which is required to be made for the taxable year under section 1016(a) (5) or (6).

68A Stat. 78;
78 Stat. 56.
26 USC 256.

“(c) QUALIFIED RESIDENT TAX WHICH IS A PERCENTAGE OF THE FEDERAL TAX.—

“(1) IN GENERAL.—A tax meets the requirements of this subsection only if it is imposed as a specified percentage of the excess of the taxes imposed by chapter 1 over the sum of the credits allowable under part IV of subchapter A of chapter 1 (other than the credits allowable by sections 31 and 39).

26 USC 1.
26 USC 31.

“(2) REQUIRED ADJUSTMENT.—A tax meets the requirements of this subsection only if the liability for tax is decreased by the decrease in such liability which would result from excluding from gross income an amount equal to the interest on obligations of the United States which was included in gross income for such year.

“(3) PERMITTED ADJUSTMENTS.—A tax which otherwise meets the requirements of paragraphs (1) and (2) shall not be deemed to fail to meet such requirements solely because it provides for both of the following adjustments:

“(A) the liability for tax is increased by the increase in such liability which would result from including as an item of gross income an amount equal to the net tax-exempt income for the year, and

“(B) the liability for tax is increased by the increase in such liability which would result from including as an item of gross income an amount equal to the net State income tax deduction for the year.

“(4) FURTHER PERMITTED ADJUSTMENT.—A tax which otherwise meets the requirements of paragraphs (1) and (2) shall not be deemed to fail to meet such requirements solely because a credit determined under rules prescribed by the Secretary or his delegate is allowed against such tax for income tax paid to another State or a political subdivision thereof.

“(d) QUALIFIED NONRESIDENT TAX.—

“(1) IN GENERAL.—A tax imposed by a State meets the requirements of this subsection only if it has the following characteristics—

“(A) such tax is imposed by the State on the wage and other business income of individuals who are not residents of such State,

“(B) such tax applies only with respect to wage and other business income derived from sources within such State,

“(C) such tax applies only if 25 percent or more of the individual's wage and other business income for the taxable year is derived from sources within such State,

“(D) the amount of such tax imposed with respect to any individual who is not a resident does not exceed the amount of tax for which he would be liable under such State's qualified resident tax if he were a resident of such State and if his taxable income were an amount equal to the excess of—

“(i) the amount of his wage and other business income derived from sources within such State, over

“(ii) that portion of the nonbusiness deductions taken into account for purposes of the State’s qualified resident tax which bears the same ratio to the amount of such deductions as the income referred to in clause (i) bears to his adjusted gross income, and

“(E) the State has in effect for the same period a qualified resident tax.

“(2) WAGE AND OTHER BUSINESS INCOME.—The term ‘wage and other business income’ means—

Ante, p. 125.
26 USC 3401.

68A Stat. 353;
81 Stat. 841.

72 Stat. 1650.

“(A) wages, as defined in section 3401(a),

“(B) net earnings from self-employment (within the meaning of section 1402(a)), and

“(C) the distributive share of income of any trade or business carried on by a trust, estate, or electing small business corporation (within the meaning of section 1371(a)) to the extent such share (i) is includible in the gross income of the individual for the taxable year, and (ii) would constitute net earnings from self-employment (within the meaning of section 1402(a)) if such trade or business were carried on by a partnership.

“(e) REQUIREMENTS RELATING TO RESIDENCE.—A tax imposed by a State meets the requirements of this subsection only if for purposes of such tax—

“(1) RESIDENT INDIVIDUAL.—An individual (other than a trust or estate) is treated as a resident of such State with respect to a taxable year only if—

“(A) his principal place of residence has been within such State for a period of at least 135 consecutive days and at least 30 days of such period are in such taxable year, or

“(B) in the case of a citizen or resident of the United States who is not a resident (determined in the manner provided in subparagraph (A)) of any State with respect to such taxable year, such individual is domiciled in such State for at least 30 days during such taxable year.

Nothing in this subchapter shall be construed to require or authorize the treatment of a Senator, Representative, Delegate, or Resident Commissioner as a resident of a State other than the State which he represents in Congress.

“(2) ESTATE.—An estate of an individual is treated as a resident of the last State of which such individual was a resident (within the meaning of paragraph (1)) before his death.

“(3) TRUSTS.—

“(A) TESTAMENTARY TRUST.—A trust with respect to which a deceased individual is the principal contributor by reason of property passing on his death is treated as a resident of the last State of which such individual was a resident (within the meaning of paragraph (1)) before his death.

“(B) NONTESTAMENTARY TRUST.—A trust (other than a trust described in subparagraph (A)) is treated as a resident of such State with respect to a taxable year only if the principal contributor to the trust, during the 3-year period ending on the date of the creation of the trust, resided in the State for an aggregate number of days longer than the aggregate number of days he resided in any other State.

“(C) SPECIAL RULES.—For purposes of this paragraph—

“(i) If on any day before the close of the taxable year an existing trust received assets having a value greater

than the aggregate value of all assets theretofore contributed to the trust, such trust shall be treated as created on such day. For purposes of this subparagraph, the value of any asset taken into account shall be its fair market value on the day it is contributed to the trust.

“(ii) The principal contributor to the trust is the individual who contributed more (in value) of the assets contributed on the date of the creation of the trust (determined after applying clause (i)) than any other individual.

“(iii) If the foregoing rules would create more than one State of residence (or no State of residence) for a trust, such trust shall be treated as a resident of the State determined under similar principles prescribed by the Secretary or his delegate by regulations.

“(4) **LIABILITY FOR TAX ON CHANGE OF RESIDENCE.**—With respect to a taxable year, in the case of an individual (other than an individual who comes into being or ceases to exist) who becomes a resident, or ceases to be a resident, of the State, his liability to such State for the resident tax is determined by multiplying the amount which would be his liability for tax (after the nonrefundable credits allowed against such tax) if he had been a resident of such State for the entire taxable year by a fraction the numerator of which is the number of days he was a resident of such State and the denominator of which is the total number of days in the taxable year. In the case of an individual who is treated as a resident of a State with respect to a taxable year by reason of paragraph (1)(B), the preceding sentence shall be applied by substituting days of domicile for days of residence.

“(5) **CURRENT COLLECTION OF TAX.**—In applying chapter 24 (relating to withholding) and section 6015 and other provisions relating to declarations of estimated income (and amendments thereto)—

“(A) in the case of a resident tax, an individual is treated as subject to the tax if he reasonably expects to reside in the State for 30 days or more or if such individual is a resident of the State (within the meaning of paragraph (1), (2), or (3)), and

“(B) in the case of a nonresident tax, an individual is treated as subject to the tax if he reasonably expects to receive wage and other business income (within the meaning of subsection (d)(2)) for 30 days or more during the taxable year.

“(f) **ADDITIONAL REQUIREMENTS.**—A tax imposed by a State shall meet the requirements of this subsection only if—

“(1) **STATE AGREEMENT MUST BE IN EFFECT FOR PERIOD CONCERNED.**—A State agreement entered into under section 6363 is in effect with respect to such tax for the taxable period in question.

“(2) **STATE LAWS MUST CONTAIN CERTAIN PROVISIONS.**—Under the laws of such State—

“(A) the provisions of this subchapter (and of the regulations prescribed thereunder) as in effect from time to time are made applicable for the period for which the State agreement is in effect, and

“(B) any change made by the State in the tax imposed by the State will not apply to taxable years beginning in any calendar year for which the State agreement is in effect unless such change is enacted before November 1 of such calendar year.

69 Stat. 616.
26 USC 3401.
68A Stat. 737;
85 Stat. 517.

Post, p. 942.

"(3) STATE LAWS TAXING INCOME OF INDIVIDUALS CAN ONLY BE OF CERTAIN KINDS.—The State does not impose any tax on the income of individuals other than—

"(A) a qualified resident tax,

"(B) a qualified nonresident tax, and

"(C) a separate tax on income which is not wage and other business income and which is received or accrued by individuals who are domiciled in the State but who are not residents of the State within the meaning of subsection (e) (1).

"(4) TAXABLE YEARS MUST COINCIDE.—The taxable years of individuals under such tax coincide with taxable years for purposes of the taxes imposed by chapter 1.

"(5) MARRIED INDIVIDUALS.—A married individual (within the meaning of section 143)—

"(A) who files a joint return for purposes of the taxes imposed by chapter 1 shall not file a separate return for purposes of such State tax, and

"(B) who files a separate return for purposes of the taxes imposed by chapter 1, shall not file a joint return for purposes of such State tax.

"(6) NO DOUBLE JEOPARDY UNDER STATE LAW.—The laws of such State do not provide criminal or civil sanctions for an act (or omission to act) with respect to a qualified resident tax or qualified nonresident tax other than the criminal or civil sanctions to which an individual is subjected by reason of section 6361.

"(7) PARTNERSHIPS, TRUSTS, SUBCHAPTER S CORPORATIONS, AND OTHER CONDUIT ENTITIES.—Under the State law the tax treatment of—

"(A) partnerships and partners,

"(B) trusts and their beneficiaries,

"(C) estates and their beneficiaries,

"(D) electing small business corporations (within the meaning of section 1371(a)) and their shareholders, and

"(E) any other entity and the individuals having beneficial interests therein, to the extent that such entity is treated as a conduit for purposes of the taxes imposed by chapter 1, shall correspond to the tax treatment provided therefor in the case of the taxes imposed by chapter 1.

"(8) MEMBERS OF ARMED FORCES.—The relief provided to any member of the Armed Forces of the United States by section 514 of the Soldiers' and Sailors' Civil Relief Act (50 U.S.C. App. sec. 574) is in no way diminished.

"(9) WITHHOLDING ON COMPENSATION OF EMPLOYEES OF RAILROADS, MOTOR CARRIERS, AIRLINES, AND WATER CARRIERS.—There is no contravention of the provisions of section 26, 226A, or 324 of the Interstate Commerce Act or of section 1112 of the Federal Aviation Act of 1958 with respect to the withholding of compensation to which such sections apply for purposes of the nonresident tax.

"SEC. 6363. STATE AGREEMENTS; OTHER PROCEDURES.

"(a) STATE AGREEMENT.—If a State elects to enter into an agreement with the United States to have its individual income taxes collected and administered as provided in this subchapter, it shall file notice of such election in such manner and with such supporting information as the Secretary or his delegate may prescribe by regulations. The Secretary shall enter into an agreement with such State unless the Secretary notifies the Governor of the State within 90 days

68A Stat. 3.
26 USC 1.

83 Stat. 677.
26 USC 143.

Ante, p. 936.

72 Stat. 1650.

58 Stat. 722;
76 Stat. 768.

84 Stat. 1499.
49 USC 26a,
325a, 922b.
49 USC 1512.

after the date of the filing of the notice of the election that the State does not have a qualified State individual income tax (determined without regard to section 6362(f)(1)). The provisions of this subchapter shall apply on and after the date (not earlier than the first January 1 which is more than 6 months after the date of the notice) specified for this purpose in the agreement.

Ante, p. 938.

“(b) WITHDRAWAL.—

“(1) BY NOTIFICATION.—If a State wishes to withdraw from the agreement, it shall notify the Secretary or his delegate of its intention to withdraw in such manner as the Secretary or his delegate may prescribe by regulations. The provisions of this subchapter (other than this section) shall not apply on or after the date specified for this purpose in the notification. Except as provided in regulations, the date so specified shall not be earlier than the first January 1 which is more than 6 months after the date on which the Secretary or his delegate is so notified.

“(2) BY CHANGE IN STATE LAW.—Any change in State law which would (but for this subchapter) have the effect of causing a tax to cease to be a qualified State individual income tax shall be treated as an intention to withdraw from the agreement. Notification by the Secretary to the Governor of such State that the change in State law will be treated as an intention to withdraw shall be made by the Secretary in such manner as the Secretary or his delegate shall by regulations prescribe. Such notification shall have the same effect as a notice under paragraph (1) of an intention to withdraw from the agreement received on the effective date of the change in State law.

“(c) TRANSITION YEARS.—

“(1) SUBCHAPTER CEASES TO APPLY DURING TAXPAYER'S YEAR.—If the provisions of this subchapter cease to apply on a day other than the last day of the taxpayer's taxable year, then amounts previously paid to the United States on account of the State's qualified individual income tax for that taxable year (whether paid by withholding, estimated tax, credit in lieu of refund, or otherwise) shall be treated as having been paid on account of the State's individual income tax law for that taxable year. Such amounts shall be transferred to the State as though the State had not withdrawn from the agreement. Returns, applications, elections, and other forms previously filed with the Secretary or his delegate for that taxable year, which are thereafter required to be filed with the appropriate State official shall be treated as having been filed with the appropriate State official.

“(2) PREVENTION OF UNINTENDED HARDSHIPS OR BENEFITS.—The State may by law provide for the transition to a qualified State individual income tax or from such a tax to the extent necessary to prevent double taxation or other unintended hardships, or to prevent unintended benefits, under State law.

“(3) ADMINISTRATION OF SUBSECTION.—The provisions of this subsection shall be administered by the Secretary or his delegate, by the State, or jointly, to the extent provided in regulations prescribed by the Secretary or his delegate.

“(d) JUDICIAL REVIEW.—

“(1) IN GENERAL.—Whenever under this section the Secretary or his delegate determines that a State does not have a qualified State individual income tax, such State may, within 60 days after the Governor of the State has been notified of such action, file with the United States court of appeals for the circuit in which such State is located, or with the United States Court of Appeals for the District of Columbia, a petition for review of such action.

72 Stat. 941;
80 Stat. 1323.

62 Stat. 928.

A copy of the petition shall be forthwith transmitted by the clerk of the court to the Secretary or his delegate. The Secretary or his delegate thereupon shall file in the court the record of the proceedings on which he based his action as provided in section 2112 of title 28, United States Code.

“(2) JURISDICTION OF COURT; REVIEW.—The court shall have jurisdiction to affirm the action of the Secretary or his delegate or to set it aside in whole or in part and to issue such other orders as may be appropriate with regard to taxable years which include any part of the period of litigation. The judgment of the court shall be subject to review by the Supreme Court of the United States upon certiorari or certification as provided in section 1254 of title 28, United States Code.

“(3) STAY OF DECISION.—

“(A) If judgment on a petition to review a determination under subsection (a) includes a determination that the State has a qualified State individual income tax, then the provisions of this subchapter shall apply on and after the first January 1 which is more than 6 months after the date of the judgment.

“(B) If judgment on a petition to review a determination by the Secretary under subsection (b) (2) includes a determination that the State does not have a qualified State individual income tax, then the provisions of this subchapter (other than this section) shall not apply on and after the first January 1 which is more than 6 months after the date of the judgment.

“(4) PREFERENCE.—Any judicial proceedings under this section shall be entitled to, and, upon request of the Secretary or the State, shall receive a preference and shall be heard and determined as expeditiously as possible.

“SEC. 6364. REGULATIONS.

“The Secretary or his delegate shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this subchapter.

“SEC. 6365. DEFINITIONS AND SPECIAL RULES.

“(a) STATE.—For purposes of this subchapter, the term ‘State’ includes the District of Columbia.

“(b) GOVERNOR.—For purposes of this subchapter, the term ‘Governor’ includes the Commissioner of the District of Columbia.

“(c) APPLICATION OF SUBCHAPTER.—Whenever this subchapter begins to apply, or ceases to apply, to any State tax on any January 1—

69 Stat. 616.
26 USC 3401.

“(1) except as provided in paragraph (2), such change shall apply to taxable years beginning on or after such date, and

“(2) for purposes of chapter 24, such change shall apply to wages paid on or after such date.”

(b) CLERICAL AMENDMENT.—The table of subchapters for chapter 64 of such Code is amended by adding at the end thereof the following:

“SUBCHAPTER E. Collection of State individual income taxes.”

SEC. 203. CONFORMING AMENDMENTS.

Ante, p. 657.

(a) LARGE REFUNDS.—Section 6405 of the Internal Revenue Code of 1954 (relating to reports of refunds and credits) is amended by adding at the end thereof the following new subsection:

Ante, p. 936.

“(e) QUALIFIED STATE INDIVIDUAL INCOME TAXES.—For purposes of this section, a refund or credit made under subchapter E of chapter 64 (relating to Federal collection of qualified State individual income

taxes) for a taxable year shall be treated as a portion of a refund or credit of the income tax for that taxable year."

(b) **TAX COURT SMALL CLAIMS.**—

(1) Section 7463 of such code (relating to disputes involving \$1,000 or less) is amended by adding at the end thereof the following new subsection:

83 Stat. 733.
26 USC 7463.

"(f) **QUALIFIED STATE INDIVIDUAL INCOME TAXES.**—For purposes of this section, a deficiency placed in dispute or claimed overpayment with regard to a qualified State individual income tax to which subchapter E of chapter 64 applies, for a taxable year, shall be treated as a portion of a deficiency placed in dispute or claimed overpayment of the income tax for that taxable year."

Ante, p. 936.

(2) Section 7463 of such Code is amended by striking out "\$1,000" in the heading and each place it appears in subsection (a) thereof and inserting in lieu thereof "\$1,500".

(3) The table of sections for part II of subchapter C of chapter 76 of such Code is amended by striking out "\$1,000" in the item relating to section 7463 and inserting in lieu thereof "\$1,500".

SEC. 204. EFFECTIVE DATE.

(a) **GENERAL RULE.**—Except as provided in subsections (b) and (c), the provisions of this title (and the amendments made thereby) shall take effect on the date of the enactment of this Act.

(b) **COLLECTION AND ADMINISTRATION OF STATE TAXES BY THE UNITED STATES MAY NOT BEGIN BEFORE JANUARY 1, 1974.**—Section 6361 of the Internal Revenue Code of 1954 (as added by section 202(a) of this Act) shall take effect on whichever of the following is the later:

(1) January 1, 1974, or

(2) the first January 1 which is more than one year after the first date on which at least 2 States having residents who in the aggregate filed 5 percent or more of the Federal individual income tax returns filed during 1972 have notified the Secretary of the Treasury or his delegate of an election to enter into an agreement under section 6363 of such Code.

Ante, p. 942.

(c) **JURISDICTION OF TAX COURT IN DISPUTES INVOLVING \$1,500 OR LESS.**—The amendments made by paragraphs (2) and (3) of section 203(b) of this Act shall take effect on January 1, 1974.

Effective date.

TITLE III—LIMITATION ON GRANTS FOR SOCIAL SERVICES UNDER PUBLIC ASSISTANCE PROGRAMS

SEC. 301. (a) Title XI of the Social Security Act is amended by adding at the end thereof the following new section:

49 Stat. 647;
81 Stat. 920.
42 USC 1301.

"LIMITATION ON FUNDS FOR CERTAIN SOCIAL SERVICES

"**SEC. 1130.** (a) Notwithstanding the provisions of section 3(a) (4) and (5), 403(a) (3), 1003(a) (3) and (4), 1403(a) (3) and (4), or 1603(a) (4) and (5), amounts payable for any fiscal year (commencing with the fiscal year beginning July 1, 1972) under such section (as determined without regard to this section) to any State with respect to expenditures made after June 30, 1972, for services referred to in such section (other than the services provided pursuant to section 402(a) (19) (G)), shall be reduced by such amounts as may be necessary to assure that—

42 USC 303,
603, 1203, 1353,
1383.

"(1) the total amount paid to such State (under all of such sections) for such fiscal year for such services does not exceed the allotment of such State (as determined under subsection (b)) ; and

42 USC 602.

"(2) of the amounts paid (under all of such sections) to such State for such fiscal year with respect to such expenditures, other than expenditures for—

"(A) services provided to meet the needs of a child for personal care, protection, and supervision, but only in the case of a child where the provision of such services is needed (i) in order to enable a member of such child's family to accept or continue in employment or to participate in training to prepare such member for employment, or (ii) because of the death, continued absence from the home, or incapacity of the child's mother and the inability of any member of such child's family to provide adequate care and supervision for such child;

"(B) family planning services;

"(C) services provided to a mentally retarded individual (whether a child or an adult), but only if such services are needed (as determined in accordance with criteria prescribed by the Secretary) by such individual by reason of his condition of being mentally retarded;

"(D) services provided to an individual who is a drug addict or an alcoholic, but only if such services are needed (as determined in accordance with criteria prescribed by the Secretary) by such individual as part of a program of active treatment of his condition as a drug addict or an alcoholic; and

"(E) services provided to a child who is under foster care in a foster family home (as defined in section 408) or in a child-care institution (as defined in such section), or while awaiting placement in such a home or institution, but only if such services are needed (as determined in accordance with criteria prescribed by the Secretary) by such child because he is under foster care,

not more than 10 per centum thereof are paid with respect to expenditures incurred in providing services to individuals who are not recipients of aid or assistance (under State plans approved under titles I, X, XIV, XVI, or part A of title IV), or applicants (as defined under regulations of the Secretary) for such aid or assistance.

75 Stat. 76.
42 USC 608.

42 USC 301,
1201, 1351, 1381.
601.

State allotment.

"(b) (1) For each fiscal year (commencing with the fiscal year beginning July 1, 1972) the Secretary shall allot to each State an amount which bears the same ratio to \$2,500,000,000 as the population of such State bears to the population of all the States.

"(2) The allotment for each State shall be promulgated for each fiscal year by the Secretary between July 1 and August 31 of the calendar year immediately preceding such fiscal year on the basis of the population of each State and of all of the States as determined from the most recent satisfactory data available from the Department of Commerce at such time; except that the allotment for each State for the fiscal year beginning July 1, 1972, and the following fiscal year shall be promulgated at the earliest practicable date after the enactment of this section but not later than January 1, 1973.

"State".

"(c) For purposes of this section, the term 'State' means any one of the fifty States or the District of Columbia."

(b) Sections 3(a)(4)(E), 403(a)(3)(D), 1003(a)(3)(E), 1403(a)(3)(E), and 1603(a)(4)(E) of such Act are amended by striking out "subject to limitations" and inserting in lieu thereof "under conditions which shall be".

42 USC 303,
603, 1203, 1353,
1383.

(c) Section 403(a)(5) of such Act is amended to read as follows:
 “(5) in the case of any State, an amount equal to 50 per centum of the total amount expended under the State plan during such quarter as emergency assistance to needy families with children.”

81 Stat. 893.
 42 USC 603.

(d) Sections 3(a), 403(a), 1003(a), 1403(a), and 1603(a), of such Act are amended, in the matter preceding paragraph (1) of each such section, by striking out “shall pay” and inserting in lieu thereof “shall (subject to section 1130) pay”.

42 USC 303,
 1203, 1353, 1383.

(e) The amendments made by this section (other than by subsection (b)) shall be effective July 1, 1972, and the amendments made by subsection (b) shall be effective January 1, 1973.

Ante, p. 945.
 Effective dates.

Approved October 20, 1972.

Public Law 92-513

AN ACT

October 20, 1972
 [S. 976]

To promote competition among motor vehicle manufacturers in the design and production of safe motor vehicles having greater resistance to damage, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the “Motor Vehicle Information and Cost Savings Act”.

Motor Vehicle
 Information and
 Cost Savings Act.

DEFINITIONS

SEC. 2. For the purpose of this Act:

(1) The term “passenger motor vehicle” means a motor vehicle with motive power, designed for carrying twelve persons or less, except (A) a motorcycle or (B) a truck not designed primarily to carry its operator or passengers.

(2) The term “multipurpose passenger vehicle” means a passenger motor vehicle which is constructed either on a truck chassis or with special features for occasional off-road operation.

(3) The term “passenger motor vehicle equipment” means (A) any system, part or component of a passenger motor vehicle as originally manufactured or any similar part or component manufactured or sold for replacement or improvement of such system, part, or component or as an accessory, or addition to a passenger motor vehicle, or (B) a towing device.

(4) The term “towing device” means any device manufactured or sold for use in towing a passenger motor vehicle.

(5) The term “property loss reduction standard” means a minimum performance standard established for the purpose of increasing the resistance of passenger motor vehicles or passenger motor vehicle equipment to damage resulting from motor vehicle accidents or for the purpose of reducing the cost of repairing such vehicles or such equipment damaged as a result of such accidents.

(6) The term “bumper standard” means any property loss reduction standard the purpose of which is (A) to eliminate or reduce substantially physical damage to the front or rear ends (or both) of a passenger motor vehicle resulting from (i) a low-speed collision (including but not limited to a low-speed collision