

AMENDMENT NO. _____ Calendar No. _____

Purpose: To provide a substitute amendment.

IN THE SENATE OF THE UNITED STATES—109th Cong., 1st Sess.

H. R. 4440

To amend the Internal Revenue Code of 1986 to provide tax benefits for the Gulf Opportunity Zone and certain areas affected by Hurricanes Rita and Wilma, and for other purposes.

Referred to the Committee on _____ and ordered to be printed

Ordered to lie on the table and to be printed

AMENDMENT intended to be proposed by Mr. GRASSLEY (for himself, Mr. BAUCUS, Mr. LOTT, Ms. LANDRIEU, Mr. VITTER, Mr. COCHRAN, and Mr. SHELBY)

Viz:

1 Strike all after the enacting clause and insert the fol-
2 lowing:

3 **SECTION 1. SHORT TITLE; ETC.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Gulf Opportunity Zone Act of 2005”.

6 (b) AMENDMENT OF 1986 CODE.—Except as other-
7 wise expressly provided, whenever in this Act an amend-
8 ment or repeal is expressed in terms of an amendment

1 to, or repeal of, a section or other provision, the reference
2 shall be considered to be made to a section or other provi-
3 sion of the Internal Revenue Code of 1986.

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

Sec. 1. Short title; etc.

TITLE I—ESTABLISHMENT OF GULF OPPORTUNITY ZONE

Sec. 101. Tax benefits for Gulf Opportunity Zone.

Sec. 102. Expansion of Hope Scholarship and Lifetime Learning Credit for students in the Gulf Opportunity Zone.

Sec. 103. Housing relief for individuals affected by Hurricane Katrina.

Sec. 104. Extension of special rules for mortgage revenue bonds.

Sec. 105. Special extension of bonus depreciation placed in service date for taxpayers affected by Hurricanes Katrina, Rita, and Wilma.

TITLE II—TAX BENEFITS RELATED TO HURRICANES RITA AND WILMA

Sec. 201. Extension of certain emergency tax relief for Hurricane Katrina to Hurricanes Rita and Wilma.

TITLE III—OTHER PROVISIONS

Sec. 301. Gulf Coast Recovery Bonds.

Sec. 302. Election to include combat pay as earned income for purposes of earned income credit.

Sec. 303. Modification of effective date of exception from suspension rules for certain listed and reportable transactions.

Sec. 304. Authority for undercover operations.

Sec. 305. Disclosures of certain tax return information.

TITLE IV—TECHNICALS

Subtitle A—Tax Technicals

Sec. 401. Short title.

Sec. 402. Amendments related to Energy Policy Act of 2005.

Sec. 403. Amendments related to the American Jobs Creation Act of 2004.

Sec. 404. Amendments related to the Working Families Tax Relief Act of 2004.

Sec. 405. Amendments related to the Jobs and Growth Tax Relief Reconciliation Act of 2003.

Sec. 406. Amendment related to the Victims of Terrorism Tax Relief Act of 2001.

Sec. 407. Amendments related to the Economic Growth and Tax Relief Reconciliation Act of 2001.

Sec. 408. Amendments related to the Internal Revenue Service Restructuring and Reform Act of 1998.

Sec. 409. Amendments related to the Taxpayer Relief Act of 1997.

- Sec. 410. Amendment related to the Omnibus Budget Reconciliation Act of 1990.
- Sec. 411. Amendment related to the Omnibus Budget Reconciliation Act of 1987.
- Sec. 412. Clerical corrections.
- Sec. 413. Other corrections related to the American Jobs Creation Act of 2004.

Subtitle B—Trade Technicals

- Sec. 421. Technical corrections to regional value content methods for rules of origin under Public Law 109–53.

TITLE V—EMERGENCY REQUIREMENT

- Sec. 501. Emergency requirement.

1 **TITLE I—ESTABLISHMENT OF**
2 **GULF OPPORTUNITY ZONE**

3 **SEC. 101. TAX BENEFITS FOR GULF OPPORTUNITY ZONE.**

- 4 (a) IN GENERAL.—Subchapter Y of chapter 1 is
5 amended by adding at the end the following new part:

6 **“PART II—TAX BENEFITS FOR GO ZONES**

“Sec. 1400M. Definitions.

“Sec. 1400N. Tax benefits for Gulf Opportunity Zone.

7 **“SEC. 1400M. DEFINITIONS.**

- 8 “For purposes of this part—

- 9 “(1) GULF OPPORTUNITY ZONE.—The terms
10 ‘Gulf Opportunity Zone’ and ‘GO Zone’ mean that
11 portion of the Hurricane Katrina disaster area de-
12 termined by the President to warrant individual or
13 individual and public assistance from the Federal
14 Government under the Robert T. Stafford Disaster
15 Relief and Emergency Assistance Act by reason of
16 Hurricane Katrina.

1 “(2) HURRICANE KATRINA DISASTER AREA.—
2 The term ‘Hurricane Katrina disaster area’ means
3 an area with respect to which a major disaster has
4 been declared by the President before September 14,
5 2005, under section 401 of such Act by reason of
6 Hurricane Katrina.

7 “(3) RITA GO ZONE.—The term ‘Rita GO Zone’
8 means that portion of the Hurricane Rita disaster
9 area determined by the President to warrant indi-
10 vidual or individual and public assistance from the
11 Federal Government under such Act by reason of
12 Hurricane Rita.

13 “(4) HURRICANE RITA DISASTER AREA.—The
14 term ‘Hurricane Rita disaster area’ means an area
15 with respect to which a major disaster has been de-
16 clared by the President before October 6, 2005,
17 under section 401 of such Act by reason of Hurri-
18 cane Rita.

19 “(5) WILMA GO ZONE.—The term ‘Wilma GO
20 Zone’ means that portion of the Hurricane Wilma
21 disaster area determined by the President to war-
22 rant individual or individual and public assistance
23 from the Federal Government under such Act by
24 reason of Hurricane Wilma.

1 “(6) HURRICANE WILMA DISASTER AREA.—The
2 term ‘Hurricane Wilma disaster area’ means an area
3 with respect to which a major disaster has been de-
4 clared by the President before November 14, 2005,
5 under section 401 of such Act by reason of Hurri-
6 cane Wilma.

7 **“SEC. 1400N. TAX BENEFITS FOR GULF OPPORTUNITY**
8 **ZONE.**

9 “(a) TAX-EXEMPT BOND FINANCING.—

10 “(1) IN GENERAL.—For purposes of this title—

11 “(A) any qualified Gulf Opportunity Zone
12 Bond described in paragraph (2)(A)(i) shall be
13 treated as an exempt facility bond, and

14 “(B) any qualified Gulf Opportunity Zone
15 Bond described in paragraph (2)(A)(ii) shall be
16 treated as a qualified mortgage bond.

17 “(2) QUALIFIED GULF OPPORTUNITY ZONE
18 BOND.—For purposes of this subsection, the term
19 ‘qualified Gulf Opportunity Zone Bond’ means any
20 bond issued as part of an issue if—

21 “(A)(i) 95 percent or more of the net pro-
22 ceeds (as defined in section 150(a)(3)) of such
23 issue are to be used for qualified project costs,
24 or

1 “(ii) such issue meets the requirements of
2 a qualified mortgage issue, except as otherwise
3 provided in this subsection,

4 “(B) such bond is issued by the State of
5 Alabama, Louisiana, or Mississippi, or any po-
6 litical subdivision thereof,

7 “(C) such bond is designated for purposes
8 of this section by—

9 “(i) in the case of a bond which is re-
10 quired under State law to be approved by
11 the bond commission of such State, such
12 bond commission, and

13 “(ii) in the case of any other bond,
14 the Governor of such State,

15 “(D) such bond is issued after the date of
16 the enactment of this section and before Janu-
17 ary 1, 2011, and

18 “(E) no portion of the proceeds of such
19 issue is to be used to provide any property de-
20 scribed in section 144(c)(6)(B).

21 “(3) LIMITATIONS ON BONDS.—

22 “(A) AGGREGATE AMOUNT DESIGNATED.—
23 The maximum aggregate face amount of bonds
24 which may be designated under this subsection
25 with respect to any State shall not exceed the

1 product of \$2,500 multiplied by the portion of
2 the State population which is in the Gulf Op-
3 portunity Zone (as determined on the basis of
4 the most recent census estimate of resident
5 population released by the Bureau of Census
6 before August 28, 2005).

7 “(B) MOVABLE PROPERTY.—No bonds
8 shall be issued which are to be used for movable
9 fixtures and equipment.

10 “(4) QUALIFIED PROJECT COSTS.—For pur-
11 poses of this subsection, the term ‘qualified project
12 costs’ means—

13 “(A) the cost of any qualified residential
14 rental project (as defined in section 142(d)) lo-
15 cated in the Gulf Opportunity Zone, and

16 “(B) the cost of acquisition, construction,
17 reconstruction, and renovation of—

18 “(i) nonresidential real property (in-
19 cluding fixed improvements associated with
20 such property) located in the Gulf Oppor-
21 tunity Zone, and

22 “(ii) public utility property (as defined
23 in section 168(i)(10)) located in the Gulf
24 Opportunity Zone.

1 “(5) SPECIAL RULES.—In applying this title to
2 any qualified Gulf Opportunity Zone Bond, the fol-
3 lowing modifications shall apply:

4 “(A) Section 142(d)(1) (defining qualified
5 residential rental project) shall be applied—

6 “(i) by substituting ‘60 percent’ for
7 ‘50 percent’ in subparagraph (A) thereof,
8 and

9 “(ii) by substituting ‘70 percent’ for
10 ‘60 percent’ in subparagraph (B) thereof.

11 “(B) Section 143 (relating to mortgage
12 revenue bonds: qualified mortgage bond and
13 qualified veterans’ mortgage bond) shall be
14 applied—

15 “(i) only with respect to owner-occu-
16 pied residences in the Gulf Opportunity
17 Zone,

18 “(ii) by treating any such residence in
19 the Gulf Opportunity Zone as a targeted
20 area residence,

21 “(iii) by applying subsection (f)(3)
22 thereof without regard to subparagraph
23 (A) thereof, and

24 “(iv) by substituting ‘\$150,000’ for
25 ‘\$15,000’ in subsection (k)(4) thereof.

1 “(C) Except as provided in section 143, re-
2 payments of principal on financing provided by
3 the issue of which such bond is a part may not
4 be used to provide financing.

5 “(D) Section 146 (relating to volume cap)
6 shall not apply.

7 “(E) Section 147(d)(2) (relating to acqui-
8 sition of existing property not permitted) shall
9 be applied by substituting ‘50 percent’ for ‘15
10 percent’ each place it appears.

11 “(F) Section 148(f)(4)(C) (relating to ex-
12 ception from rebate for certain proceeds to be
13 used to finance construction expenditures) shall
14 apply to the available construction proceeds of
15 bonds which are part of an issue described in
16 paragraph (2)(A)(i).

17 “(G) Section 57(a)(5) (relating to tax-ex-
18 empt interest) shall not apply.

19 “(6) SEPARATE ISSUE TREATMENT OF POR-
20 TIONS OF AN ISSUE.—This subsection shall not
21 apply to the portion of an issue which (if issued as
22 a separate issue) would be treated as a qualified
23 bond or as a bond that is not a private activity bond
24 (determined without regard to paragraph (1)), if the
25 issuer elects to so treat such portion.

1 “(b) ADVANCE REFUNDINGS OF CERTAIN TAX-EX-
2 EMPT BONDS.—

3 “(1) IN GENERAL.—With respect to a bond de-
4 scribed in paragraph (3), one additional advance re-
5 funding after the date of the enactment of this sec-
6 tion and before January 1, 2011, shall be allowed
7 under the applicable rules of section 149(d) if—

8 “(A) the Governor of the State designates
9 the advance refunding bond for purposes of this
10 subsection, and

11 “(B) the requirements of paragraph (5)
12 are met.

13 “(2) CERTAIN PRIVATE ACTIVITY BONDS.—
14 With respect to a bond described in paragraph (3)
15 which is an exempt facility bond described in para-
16 graph (1) or (2) of section 142(a), one advance re-
17 funding after the date of the enactment of this sec-
18 tion and before January 1, 2011, shall be allowed
19 under the applicable rules of section 149(d) (not-
20 withstanding paragraph (2) thereof) if the require-
21 ments of subparagraphs (A) and (B) of paragraph
22 (1) are met.

23 “(3) BONDS DESCRIBED.—A bond is described
24 in this paragraph if such bond was outstanding on
25 August 28, 2005, and is issued by the State of Ala-

1 bama, Louisiana, or Mississippi, or a political sub-
2 division thereof.

3 “(4) AGGREGATE LIMIT.—The maximum aggre-
4 gate face amount of bonds which may be designated
5 under this subsection by the Governor of a State
6 shall not exceed—

7 “(A) \$4,500,000,000 in the case of the
8 State of Louisiana,

9 “(B) \$2,250,000,000 in the case of the
10 State of Mississippi, and

11 “(C) \$1,125,000,000 in the case of the
12 State of Alabama.

13 “(5) ADDITIONAL REQUIREMENTS.—The re-
14 quirements of this paragraph are met with respect
15 to any advance refunding of a bond described in
16 paragraph (3) if—

17 “(A) no advance refundings of such bond
18 would be allowed under this title on or after
19 August 28, 2005,

20 “(B) the advance refunding bond is the
21 only other outstanding bond with respect to the
22 refunded bond, and

23 “(C) the requirements of section 148 are
24 met with respect to all bonds issued under this
25 subsection.

1 “(6) USE OF PROCEEDS REQUIREMENT.—This
2 subsection shall not apply to any advance refunding
3 of a bond which is issued as part of an issue if any
4 portion of the proceeds of such issue (or any prior
5 issue) was (or is to be) used to provide any property
6 described in section 144(c)(6)(B).

7 “(c) LOW-INCOME HOUSING CREDIT.—

8 “(1) ADDITIONAL HOUSING CREDIT DOLLAR
9 AMOUNT FOR GULF OPPORTUNITY ZONE.—

10 “(A) IN GENERAL.—For purposes of sec-
11 tion 42, in the case of calendar years 2006,
12 2007, and 2008, the State housing credit ceil-
13 ing of each State, any portion of which is lo-
14 cated in the Gulf Opportunity Zone, shall be in-
15 creased by the lesser of—

16 “(i) the aggregate housing credit dol-
17 lar amount allocated by the State housing
18 credit agency of such State to buildings lo-
19 cated in the Gulf Opportunity Zone for
20 such calendar year, or

21 “(ii) the Gulf Opportunity housing
22 amount for such State for such calendar
23 year.

24 “(B) GULF OPPORTUNITY HOUSING
25 AMOUNT.—For purposes of subparagraph (A),

1 the term ‘Gulf Opportunity housing amount’
2 means, for any calendar year, the amount equal
3 to the product of \$18.00 multiplied by the por-
4 tion of the State population which is in the Gulf
5 Opportunity Zone (as determined on the basis
6 of the most recent census estimate of resident
7 population released by the Bureau of Census
8 before August 28, 2005).

9 “(C) ALLOCATIONS TREATED AS MADE
10 FIRST FROM ADDITIONAL ALLOCATION AMOUNT
11 FOR PURPOSES OF DETERMINING CARRY-
12 OVER.—For purposes of determining the un-
13 used State housing credit ceiling under section
14 42(h)(3)(C) for any calendar year, any increase
15 in the State housing credit ceiling under sub-
16 paragraph (A) shall be treated as an amount
17 described in clause (ii) of such section.

18 “(2) ADDITIONAL HOUSING CREDIT DOLLAR
19 AMOUNT FOR TEXAS AND FLORIDA.—For purposes
20 of section 42, in the case of calendar year 2006, the
21 State housing credit ceiling of Texas and Florida
22 shall each be increased by \$3,500,000.

23 “(3) DIFFICULT DEVELOPMENT AREA.—

24 “(A) IN GENERAL.—For purposes of sec-
25 tion 42, in the case of property placed in service

1 during 2006, 2007, or 2008, the Gulf Oppor-
2 tunity Zone, the Rita GO Zone, and the Wilma
3 GO Zone—

4 “(i) shall be treated as difficult devel-
5 opment areas designated under subclause
6 (I) of section 42(d)(5)(C)(iii), and

7 “(ii) shall not be taken into account
8 for purposes of applying the limitation
9 under subclause (II) of such section.

10 “(B) APPLICATION.—Subparagraph (A)
11 shall apply only to—

12 “(i) housing credit dollar amounts al-
13 located during the period beginning on
14 January 1, 2006, and ending on December
15 31, 2008, and

16 “(ii) buildings placed in service during
17 such period to the extent that paragraph
18 (1) of section 42(h) does not apply to any
19 building by reason of paragraph (4) there-
20 of, but only with respect to bonds issued
21 after December 31, 2005.

22 “(4) SPECIAL RULE FOR APPLYING INCOME
23 TESTS.—In the case of property placed in service—

24 “(A) during 2006, 2007, or 2008,

25 “(B) in the Gulf Opportunity Zone, and

1 “(C) in a nonmetropolitan area (as defined
2 in section 42(d)(5)(C)(iv)(IV)),
3 section 42 shall be applied by substituting ‘national
4 nonmetropolitan median gross income (determined
5 under rules similar to the rules of section
6 142(d)(2)(B))’ for ‘area median gross income’ in
7 subparagraphs (A) and (B) of section 42(g)(1).

8 “(5) DEFINITIONS.—Any term used in this sub-
9 section which is also used in section 42 shall have
10 the same meaning as when used in such section.

11 “(d) SPECIAL ALLOWANCE FOR CERTAIN PROPERTY
12 ACQUIRED ON OR AFTER AUGUST 28, 2005.—

13 “(1) ADDITIONAL ALLOWANCE.—In the case of
14 any qualified Gulf Opportunity Zone property—

15 “(A) the depreciation deduction provided
16 by section 167(a) for the taxable year in which
17 such property is placed in service shall include
18 an allowance equal to 50 percent of the ad-
19 justed basis of such property, and

20 “(B) the adjusted basis of the qualified
21 Gulf Opportunity Zone property shall be re-
22 duced by the amount of such deduction before
23 computing the amount otherwise allowable as a
24 depreciation deduction under this chapter for

1 such taxable year and any subsequent taxable
2 year.

3 “(2) QUALIFIED GULF OPPORTUNITY ZONE
4 PROPERTY.—For purposes of this subsection—

5 “(A) IN GENERAL.—The term ‘qualified
6 Gulf Opportunity Zone property’ means
7 property—

8 “(i)(I) which is described in section
9 168(k)(2)(A)(i), or

10 “(II) which is nonresidential real
11 property or residential rental property,

12 “(ii) substantially all of the use of
13 which is in the Gulf Opportunity Zone and
14 is in the active conduct of a trade or busi-
15 ness by the taxpayer in such Zone,

16 “(iii) the original use of which in the
17 Gulf Opportunity Zone commences with
18 the taxpayer on or after August 28, 2005,

19 “(iv) which is acquired by the tax-
20 payer by purchase (as defined in section
21 179(d)) on or after August 28, 2005, but
22 only if no written binding contract for the
23 acquisition was in effect before August 28,
24 2005, and

1 “(v) which is placed in service by the
2 taxpayer on or before December 31, 2007
3 (December 31, 2008, in the case of non-
4 residential real property and residential
5 rental property).

6 “(B) EXCEPTIONS.—

7 “(i) ALTERNATIVE DEPRECIATION
8 PROPERTY.—Such term shall not include
9 any property described in section
10 168(k)(2)(D)(i).

11 “(ii) TAX-EXEMPT BOND-FINANCED
12 PROPERTY.—Such term shall not include
13 any property any portion of which is fi-
14 nanced with the proceeds of any obligation
15 the interest on which is exempt from tax
16 under section 103.

17 “(iii) QUALIFIED REVITALIZATION
18 BUILDINGS.—Such term shall not include
19 any qualified revitalization building with
20 respect to which the taxpayer has elected
21 the application of paragraph (1) or (2) of
22 section 1400I(a).

23 “(iv) ELECTION OUT.—If a taxpayer
24 makes an election under this clause with
25 respect to any class of property for any

1 taxable year, this subsection shall not
2 apply to all property in such class placed
3 in service during such taxable year.

4 “(3) SPECIAL RULES.—For purposes of this
5 subsection, rules similar to the rules of subpara-
6 graph (E) of section 168(k)(2) shall apply, except
7 that such subparagraph shall be applied—

8 “(A) by substituting ‘August 27, 2005’ for
9 ‘September 10, 2001’ each place it appears
10 therein,

11 “(B) by substituting ‘January 1, 2008’ for
12 ‘January 1, 2005’ in clause (i) thereof, and

13 “(C) by substituting ‘qualified Gulf Oppor-
14 tunity Zone property’ for ‘qualified property’ in
15 clause (iv) thereof.

16 “(4) ALLOWANCE AGAINST ALTERNATIVE MIN-
17 IMUM TAX.—For purposes of this subsection, rules
18 similar to the rules of section 168(k)(2)(G) shall
19 apply.

20 “(5) RECAPTURE.—For purposes of this sub-
21 section, rules similar to the rules under section
22 179(d)(10) shall apply with respect to any qualified
23 Gulf Opportunity Zone property which ceases to be
24 qualified Gulf Opportunity Zone property.

1 “(e) INCREASE IN EXPENSING UNDER SECTION
2 179.—

3 “(1) IN GENERAL.—For purposes of section
4 179—

5 “(A) the dollar amount in effect under sec-
6 tion 179(b)(1) for the taxable year shall be in-
7 creased by the lesser of—

8 “(i) \$100,000, or

9 “(ii) the cost of qualified section 179
10 Gulf Opportunity Zone property placed in
11 service during the taxable year, and

12 “(B) the dollar amount in effect under sec-
13 tion 179(b)(2) for the taxable year shall be in-
14 creased by the lesser of—

15 “(i) \$600,000, or

16 “(ii) the cost of qualified section 179
17 Gulf Opportunity Zone property placed in
18 service during the taxable year.

19 “(2) QUALIFIED SECTION 179 GULF OPPOR-
20 TUNITY ZONE PROPERTY.—For purposes of this sub-
21 section, the term ‘qualified section 179 Gulf Oppor-
22 tunity Zone property’ means section 179 property
23 (as defined in section 179(d)) which is qualified Gulf
24 Opportunity Zone property (as defined in subsection
25 (d)(2)).

1 “(3) COORDINATION WITH EMPOWERMENT
2 ZONES AND RENEWAL COMMUNITIES.—For purposes
3 of sections 1397A and 1400J, qualified section 179
4 Gulf Opportunity Zone property shall not be treated
5 as qualified zone property or qualified renewal prop-
6 erty, unless the taxpayer elects not to take such
7 qualified section 179 Gulf Opportunity Zone prop-
8 erty into account for purposes of this subsection.

9 “(4) RECAPTURE.—For purposes of this sub-
10 section, rules similar to the rules under section
11 179(d)(10) shall apply with respect to any qualified
12 section 179 Gulf Opportunity Zone property which
13 ceases to be qualified section 179 Gulf Opportunity
14 Zone property.

15 “(f) EXPENSING FOR CERTAIN DEMOLITION AND
16 CLEAN-UP COSTS.—

17 “(1) IN GENERAL.—A taxpayer may elect to
18 treat 50 percent of any qualified Gulf Opportunity
19 Zone clean-up cost as an expense which is not
20 chargeable to capital account. Any cost so treated
21 shall be allowed as a deduction for the taxable year
22 in which such cost is paid or incurred.

23 “(2) QUALIFIED GULF OPPORTUNITY ZONE
24 CLEAN-UP COST.—For purposes of this subsection,
25 the term ‘qualified Gulf Opportunity Zone clean-up

1 cost' means any amount paid or incurred during the
2 period beginning on August 28, 2005, and ending on
3 December 31, 2007, for the removal of debris from,
4 or the demolition of structures on, real property
5 which is located in the Gulf Opportunity Zone and
6 which is—

7 “(A) held by the taxpayer for use in a
8 trade or business or for the production of in-
9 come, or

10 “(B) property described in section
11 1221(a)(1) in the hands of the taxpayer.

12 For purposes of the preceding sentence, amounts
13 paid or incurred shall be taken into account only to
14 the extent that such amount would (but for para-
15 graph (1)) be chargeable to capital account.

16 “(g) EXTENSION OF EXPENSING FOR ENVIRON-
17 MENTAL REMEDIATION COSTS.—With respect to any
18 qualified environmental remediation expenditure (as de-
19 fined in section 198(b)) paid or incurred on or after Au-
20 gust 28, 2005, in connection with a qualified contaminated
21 site located in the Gulf Opportunity Zone, section 198 (re-
22 lating to expensing of environmental remediation costs)
23 shall be applied—

24 “(1) in the case of expenditures paid or in-
25 curred on or after August 28, 2005, and before Jan-

1 uary 1, 2008, by substituting ‘December 31, 2007’
2 for the date contained in section 198(h), and

3 “(2) except as provided in section 198(d)(2), by
4 treating petroleum products (as defined in section
5 4612(a)(3)) as a hazardous substance.

6 “(h) INCREASE IN REHABILITATION CREDIT.—In the
7 case of qualified rehabilitation expenditures (as defined in
8 section 47(c)) paid or incurred during the period begin-
9 ning on August 28, 2005, and ending on December 31,
10 2008, with respect to any qualified rehabilitated building
11 or certified historic structure (as defined in section 47(e))
12 located in the Gulf Opportunity Zone, subsection (a) of
13 section 47 (relating to rehabilitation credit) shall be
14 applied—

15 “(1) by substituting ‘13 percent’ for ‘10 per-
16 cent’ in paragraph (1) thereof, and

17 “(2) by substituting ‘26 percent’ for ‘20 per-
18 cent’ in paragraph (2) thereof.

19 “(i) SPECIAL RULES FOR SMALL TIMBER PRO-
20 DUCERS.—

21 “(1) INCREASED EXPENSING FOR QUALIFIED
22 TIMBER PROPERTY.—In the case of qualified timber
23 property any portion of which is located in the Gulf
24 Opportunity Zone, in that portion of the Rita GO
25 Zone which is not part of the Gulf Opportunity

1 Zone, or in the Wilma GO Zone, the limitation
2 under subparagraph (B) of section 194(b)(1) shall
3 be increased by the lesser of—

4 “(A) the limitation which would (but for
5 this subsection) apply under such subpara-
6 graph, or

7 “(B) the amount of reforestation expendi-
8 tures (as defined in section 194(c)(3)) paid or
9 incurred by the taxpayer with respect to such
10 qualified timber property during the specified
11 portion of the taxable year.

12 “(2) 5 YEAR NOL CARRYBACK OF CERTAIN TIM-
13 BER LOSSES.—For purposes of determining any
14 farming loss under section 172(i), income and de-
15 ductions which are allocable to the specified portion
16 of the taxable year and which are attributable to
17 qualified timber property any portion of which is lo-
18 cated in the Gulf Opportunity Zone, in that portion
19 of the Rita GO Zone which is not part of the Gulf
20 Opportunity Zone, or in the Wilma GO Zone shall
21 be treated as attributable to farming businesses.

22 “(3) RULES NOT APPLICABLE TO CERTAIN EN-
23 TITIES.—Paragraphs (1) and (2) shall not apply to
24 any taxpayer which—

1 “(A) is a corporation the stock of which is
2 publicly traded on an established securities
3 market, or

4 “(B) is a real estate investment trust.

5 “(4) RULES NOT APPLICABLE TO LARGE TIM-
6 BER PRODUCERS.—

7 “(A) EXPENSING.—Paragraph (1) shall
8 not apply to any taxpayer if such taxpayer
9 holds more than 500 acres of qualified timber
10 property at any time during the taxable year.

11 “(B) NOL CARRYBACK.—Paragraph (2)
12 shall not apply with respect to any qualified
13 timber property unless—

14 “(i) such property was held by the
15 taxpayer—

16 “(I) on August 28, 2005, in the
17 case of qualified timber property any
18 portion of which is located in the Gulf
19 Opportunity Zone,

20 “(II) on September 23, 2005, in
21 the case of qualified timber property
22 (other than property described in sub-
23 clause (I)) any portion of which is lo-
24 cated in that portion of the Rita GO

1 Zone which is not part of the Gulf
2 Opportunity Zone, or

3 “(III) on October 23, 2005, in
4 the case of qualified timber property
5 (other than property described in sub-
6 clause (I) or (II)) any portion of
7 which is located in the Wilma GO
8 Zone, and

9 “(ii) such taxpayer held not more
10 than 500 acres of qualified timber property
11 on such date.

12 “(5) DEFINITIONS.—For purposes of this
13 subsection—

14 “(A) SPECIFIED PORTION.—

15 “(i) IN GENERAL.—The term ‘speci-
16 fied portion’ means—

17 “(I) in the case of qualified tim-
18 ber property any portion of which is
19 located in the Gulf Opportunity Zone,
20 that portion of the taxable year which
21 is on or after August 28, 2005, and
22 before the termination date,

23 “(II) in the case of qualified tim-
24 ber property (other than property de-
25 scribed in clause (i)) any portion of

1 which is located in the Rita GO Zone,
2 that portion of the taxable year which
3 is on or after September 23, 2005,
4 and before the termination date, or

5 “(III) in the case of qualified
6 timber property (other than property
7 described in clause (i) or (ii)) any por-
8 tion of which is located in the Wilma
9 GO Zone, that portion of the taxable
10 year which is on or after October 23,
11 2005, and before the termination
12 date.

13 “(ii) TERMINATION DATE.—The term
14 ‘termination date’ means—

15 “(I) for purposes of paragraph
16 (1), January 1, 2008, and

17 “(II) for purposes of paragraph
18 (2), January 1, 2007.

19 “(B) QUALIFIED TIMBER PROPERTY.—The
20 term ‘qualified timber property’ has the mean-
21 ing given such term in section 194(c)(1).

22 “(j) SPECIAL RULE FOR GULF OPPORTUNITY ZONE
23 PUBLIC UTILITY CASUALTY LOSSES.—

24 “(1) IN GENERAL.—The amount described in
25 section 172(f)(1)(A) for any taxable year shall be in-

1 creased by the Gulf Opportunity Zone public utility
2 casualty loss for such taxable year.

3 “(2) GULF OPPORTUNITY ZONE PUBLIC UTIL-
4 ITY CASUALTY LOSS.—For purposes of this sub-
5 section, the term ‘Gulf Opportunity Zone public util-
6 ity casualty loss’ means any casualty loss of public
7 utility property (as defined in section 168(i)(10)) lo-
8 cated in the Gulf Opportunity Zone if—

9 “(A) such loss is allowed as a deduction
10 under section 165 for the taxable year,

11 “(B) such loss is by reason of Hurricane
12 Katrina, and

13 “(C) the taxpayer elects the application of
14 this subsection with respect to such loss.

15 “(3) REDUCTION FOR GAINS FROM INVOLUN-
16 TARY CONVERSION.—The amount of any Gulf Op-
17 portunity Zone public utility casualty loss which
18 would (but for this paragraph) be taken into account
19 under paragraph (1) for any taxable year shall be
20 reduced by the amount of any gain recognized by the
21 taxpayer for such year from the involuntary conver-
22 sion by reason of Hurricane Katrina of public utility
23 property (as so defined) located in the Gulf Oppor-
24 tunity Zone.

1 “(4) COORDINATION WITH GENERAL DISASTER
2 LOSS RULES.—Subsection (k) and section 165(i)
3 shall not apply to any Gulf Opportunity Zone public
4 utility casualty loss to the extent such loss is taken
5 into account under paragraph (1).

6 “(5) ELECTION.—Any election under paragraph
7 (2)(C) shall be made in such manner as may be pre-
8 scribed by the Secretary and shall be made by the
9 due date (including extensions of time) for filing the
10 taxpayer’s return for the taxable year of the loss.
11 Such election, once made for any taxable year, shall
12 be irrevocable for such taxable year.

13 “(k) TREATMENT OF NET OPERATING LOSSES AT-
14 TRIBUTABLE TO GULF OPPORTUNITY ZONE LOSSES.—

15 “(1) IN GENERAL.—If a portion of any net op-
16 erating loss of the taxpayer for any taxable year is
17 a qualified Gulf Opportunity Zone loss, the following
18 rules shall apply:

19 “(A) EXTENSION OF CARRYBACK PE-
20 RIOD.—Section 172(b)(1) shall be applied with
21 respect to such portion—

22 “(i) by substituting ‘5 taxable years’
23 for ‘2 taxable years’ in subparagraph
24 (A)(i), and

1 “(ii) by not taking such portion into
2 account in determining any eligible loss of
3 the taxpayer under subparagraph (F)
4 thereof for the taxable year.

5 “(B) SUSPENSION OF 90 PERCENT AMT
6 LIMITATION.—Section 56(d)(1) shall be applied
7 by increasing the amount determined under
8 subparagraph (A)(ii)(I) thereof by the sum of
9 the carrybacks and carryovers of any net oper-
10 ating loss attributable to such portion.

11 “(2) QUALIFIED GULF OPPORTUNITY ZONE
12 LOSS.—For purposes of paragraph (1), the term
13 ‘qualified Gulf Opportunity Zone loss’ means the
14 lesser of—

15 “(A) the excess of—

16 “(i) the net operating loss for such
17 taxable year, over

18 “(ii) the specified liability loss for
19 such taxable year to which a 10-year
20 carryback applies under section
21 172(b)(1)(C), or

22 “(B) the aggregate amount of the fol-
23 lowing deductions to the extent taken into ac-
24 count in computing the net operating loss for
25 such taxable year:

1 “(i) Any deduction for any qualified
2 Gulf Opportunity Zone casualty loss.

3 “(ii) Any deduction for moving ex-
4 penses paid or incurred after August 27,
5 2005, and before January 1, 2008, and al-
6 lowable under this chapter to any taxpayer
7 in connection with the employment of any
8 individual—

9 “(I) whose principal place of
10 abode was located in the Gulf Oppor-
11 tunity Zone before August 28, 2005,

12 “(II) who was unable to remain
13 in such abode as the result of Hurri-
14 cane Katrina, and

15 “(III) whose principal place of
16 employment with the taxpayer after
17 such expense is located in the Gulf
18 Opportunity Zone.

19 For purposes of this clause, the term ‘mov-
20 ing expenses’ has the meaning given such
21 term by section 217(b), except that the
22 taxpayer’s former residence and new resi-
23 dence may be the same residence if the ini-
24 tial vacating of the residence was as the
25 result of Hurricane Katrina.

1 “(iii) Any deduction allowable under
2 this chapter for expenses paid or incurred
3 after August 27, 2005, and before January
4 1, 2008, to temporarily house any em-
5 ployee of the taxpayer whose principal
6 place of employment is in the Gulf Oppor-
7 tunity Zone.

8 “(iv) Any deduction for depreciation
9 (or amortization in lieu of depreciation) al-
10 lowable under this chapter with respect to
11 any qualified Gulf Opportunity Zone prop-
12 erty (as defined in subsection (d)(2), but
13 without regard to subparagraph (B)(iv)
14 thereof)) for the taxable year such prop-
15 erty is placed in service.

16 “(v) Any deduction allowable under
17 this chapter for repair expenses (including
18 expenses for removal of debris) paid or in-
19 curred after August 27, 2005, and before
20 January 1, 2008, with respect to any dam-
21 age attributable to Hurricane Katrina and
22 in connection with property which is lo-
23 cated in the Gulf Opportunity Zone.

24 “(3) QUALIFIED GULF OPPORTUNITY ZONE
25 CASUALTY LOSS.—

1 “(A) IN GENERAL.—For purposes of para-
2 graph (2)(B)(i), the term ‘qualified Gulf Oppor-
3 tunity Zone casualty loss’ means any uncom-
4 pensated section 1231 loss (as defined in sec-
5 tion 1231(a)(3)(B)) of property located in the
6 Gulf Opportunity Zone if—

7 “(i) such loss is allowed as a deduc-
8 tion under section 165 for the taxable
9 year, and

10 “(ii) such loss is by reason of Hurri-
11 cane Katrina.

12 “(B) REDUCTION FOR GAINS FROM INVOL-
13 UNTARY CONVERSION.—The amount of quali-
14 fied Gulf Opportunity Zone casualty loss which
15 would (but for this subparagraph) be taken into
16 account under subparagraph (A) for any tax-
17 able year shall be reduced by the amount of any
18 gain recognized by the taxpayer for such year
19 from the involuntary conversion by reason of
20 Hurricane Katrina of property located in the
21 Gulf Opportunity Zone.

22 “(C) COORDINATION WITH GENERAL DIS-
23 ASTER LOSS RULES.—Section 165(i) shall not
24 apply to any qualified Gulf Opportunity Zone

1 casualty loss to the extent such loss is taken
2 into account under this subsection.

3 “(4) SPECIAL RULES.—For purposes of para-
4 graph (1), rules similar to the rules of paragraphs
5 (2) and (3) of section 172(i) shall apply with respect
6 to such portion.

7 “(1) CREDIT TO HOLDERS OF GULF TAX CREDIT
8 BONDS.—

9 “(1) ALLOWANCE OF CREDIT.—If a taxpayer
10 holds a Gulf tax credit bond on one or more credit
11 allowance dates of the bond occurring during any
12 taxable year, there shall be allowed as a credit
13 against the tax imposed by this chapter for the tax-
14 able year an amount equal to the sum of the credits
15 determined under paragraph (2) with respect to
16 such dates.

17 “(2) AMOUNT OF CREDIT.—

18 “(A) IN GENERAL.—The amount of the
19 credit determined under this paragraph with re-
20 spect to any credit allowance date for a Gulf
21 tax credit bond is 25 percent of the annual
22 credit determined with respect to such bond.

23 “(B) ANNUAL CREDIT.—The annual credit
24 determined with respect to any Gulf tax credit
25 bond is the product of—

1 “(i) the credit rate determined by the
2 Secretary under subparagraph (C) for the
3 day on which such bond was sold, multi-
4 plied by

5 “(ii) the outstanding face amount of
6 the bond.

7 “(C) DETERMINATION.—For purposes of
8 subparagraph (B), with respect to any Gulf tax
9 credit bond, the Secretary shall determine daily
10 or cause to be determined daily a credit rate
11 which shall apply to the first day on which
12 there is a binding, written contract for the sale
13 or exchange of the bond. The credit rate for
14 any day is the credit rate which the Secretary
15 or the Secretary’s designee estimates will per-
16 mit the issuance of Gulf tax credit bonds with
17 a specified maturity or redemption date without
18 discount and without interest cost to the issuer.

19 “(D) CREDIT ALLOWANCE DATE.—For
20 purposes of this subsection, the term ‘credit al-
21 lowance date’ means March 15, June 15, Sep-
22 tember 15, and December 15. Such term also
23 includes the last day on which the bond is out-
24 standing.

1 “(E) SPECIAL RULE FOR ISSUANCE AND
2 REDEMPTION.—In the case of a bond which is
3 issued during the 3-month period ending on a
4 credit allowance date, the amount of the credit
5 determined under this paragraph with respect
6 to such credit allowance date shall be a ratable
7 portion of the credit otherwise determined
8 based on the portion of the 3-month period dur-
9 ing which the bond is outstanding. A similar
10 rule shall apply when the bond is redeemed or
11 matures.

12 “(3) LIMITATION BASED ON AMOUNT OF
13 TAX.—The credit allowed under paragraph (1) for
14 any taxable year shall not exceed the excess of—

15 “(A) the sum of the regular tax liability
16 (as defined in section 26(b)) plus the tax im-
17 posed by section 55, over

18 “(B) the sum of the credits allowable
19 under part IV of subchapter A (other than sub-
20 part C and this subsection).

21 “(4) GULF TAX CREDIT BOND.—For purposes
22 of this subsection—

23 “(A) IN GENERAL.—The term ‘Gulf tax
24 credit bond’ means any bond issued as part of
25 an issue if—

1 “(i) the bond is issued by the State of
2 Alabama, Louisiana, or Mississippi,

3 “(ii) 95 percent or more of the pro-
4 ceeds of such issue are to be used to—

5 “(I) pay principal, interest, or
6 premiums on qualified bonds issued
7 by such State or any political subdivi-
8 sion of such State, or

9 “(II) make a loan to any political
10 subdivision of such State to pay prin-
11 cipal, interest, or premiums on quali-
12 fied bonds issued by such political
13 subdivision,

14 “(iii) the Governor of such State des-
15 ignates such bond for purposes of this sub-
16 section,

17 “(iv) the bond is a general obligation
18 of such State and is in registered form
19 (within the meaning of section 149(a)),

20 “(v) the maturity of such bond does
21 not exceed 2 years, and

22 “(vi) the bond is issued after Decem-
23 ber 31, 2005, and before January 1, 2007.

1 “(B) STATE MATCHING REQUIREMENT.—A
2 bond shall not be treated as a Gulf tax credit
3 bond unless—

4 “(i) the issuer of such bond pledges as
5 of the date of the issuance of the issue an
6 amount equal to the face amount of such
7 bond to be used for payments described in
8 subclause (I) of subparagraph (A)(ii), or
9 loans described in subclause (II) of such
10 subparagraph, as the case may be, with re-
11 spect to the issue of which such bond is a
12 part, and

13 “(ii) any such payment or loan is
14 made in equal amounts from the proceeds
15 of such issue and from the amount pledged
16 under clause (i).

17 The requirement of clause (ii) shall be treated
18 as met with respect to any such payment or
19 loan made during the 1-year period beginning
20 on the date of the issuance (or any successor 1-
21 year period) if such requirement is met when
22 applied with respect to the aggregate amount of
23 such payments and loans made during such pe-
24 riod.

1 “(C) AGGREGATE LIMIT ON BOND DES-
2 IGNATIONS.—The maximum aggregate face
3 amount of bonds which may be designated
4 under this subsection by the Governor of a
5 State shall not exceed—

6 “(i) \$200,000,000 in the case of the
7 State of Louisiana,

8 “(ii) \$100,000,000 in the case of the
9 State of Mississippi, and

10 “(iii) \$50,000,000 in the case of the
11 State of Alabama.

12 “(D) SPECIAL RULES RELATING TO ARBI-
13 TRAGE.—A bond which is part of an issue shall
14 not be treated as a Gulf tax credit bond unless,
15 with respect to the issue of which the bond is
16 a part, the issuer satisfies the arbitrage require-
17 ments of section 148 with respect to proceeds
18 of the issue and any loans made with such pro-
19 ceeds.

20 “(5) QUALIFIED BOND.—For purposes of this
21 subsection—

22 “(A) IN GENERAL.—The term ‘qualified
23 bond’ means any obligation of a State or polit-
24 ical subdivision thereof which was outstanding
25 on August 28, 2005.

1 “(B) EXCEPTION FOR PRIVATE ACTIVITY
2 BONDS.—Such term shall not include any pri-
3 vate activity bond.

4 “(C) EXCEPTION FOR ADVANCE
5 REFUNDINGS.—Such term shall not include any
6 bond with respect to which there is any out-
7 standing refunded or refunding bond during the
8 period in which a Gulf tax credit bond is out-
9 standing with respect to such bond.

10 “(D) USE OF PROCEEDS REQUIREMENT.—
11 Such term shall not include any bond issued as
12 part of an issue if any portion of the proceeds
13 of such issue was (or is to be) used to provide
14 any property described in section 144(e)(6)(B).

15 “(6) CREDIT INCLUDED IN GROSS INCOME.—
16 Gross income includes the amount of the credit al-
17 lowed to the taxpayer under this subsection (deter-
18 mined without regard to paragraph (3)) and the
19 amount so included shall be treated as interest in-
20 come.

21 “(7) OTHER DEFINITIONS AND SPECIAL
22 RULES.—For purposes of this subsection—

23 “(A) BOND.—The term ‘bond’ includes
24 any obligation.

1 “(B) PARTNERSHIP; S CORPORATION; AND
2 OTHER PASS-THRU ENTITIES.—

3 “(i) IN GENERAL.—Under regulations
4 prescribed by the Secretary, in the case of
5 a partnership, trust, S corporation, or
6 other pass-thru entity, rules similar to the
7 rules of section 41(g) shall apply with re-
8 spect to the credit allowable under para-
9 graph (1).

10 “(ii) NO BASIS ADJUSTMENT.—In the
11 case of a bond held by a partnership or an
12 S corporation, rules similar to the rules
13 under section 1397E(i) shall apply.

14 “(C) BONDS HELD BY REGULATED IN-
15 VESTMENT COMPANIES.—If any Gulf tax credit
16 bond is held by a regulated investment com-
17 pany, the credit determined under paragraph
18 (1) shall be allowed to shareholders of such
19 company under procedures prescribed by the
20 Secretary.

21 “(D) REPORTING.—Issuers of Gulf tax
22 credit bonds shall submit reports similar to the
23 reports required under section 149(e).

24 “(E) CREDIT TREATED AS NONREFUND-
25 ABLE BONDHOLDER CREDIT.—For purposes of

1 this title, the credit allowed by this subsection
2 shall be treated as a credit allowable under sub-
3 part H of part IV of subchapter A of this chap-
4 ter.

5 “(m) APPLICATION OF NEW MARKETS TAX CREDIT
6 TO INVESTMENTS IN COMMUNITY DEVELOPMENT ENTI-
7 TIES SERVING GULF OPPORTUNITY ZONE.—For purposes
8 of section 45D—

9 “(1) a qualified community development entity
10 shall be eligible for an allocation under subsection
11 (f)(2) thereof of the increase in the new markets tax
12 credit limitation described in paragraph (2) only if
13 a significant mission of such entity is the recovery
14 and redevelopment of the Gulf Opportunity Zone,

15 “(2) the new markets tax credit limitation oth-
16 erwise determined under subsection (f)(1) thereof
17 shall be increased by an amount equal to—

18 “(A) \$300,000,000 for 2005 and 2006, to
19 be allocated among qualified community devel-
20 opment entities to make qualified low-income
21 community investments within the Gulf Oppor-
22 tunity Zone, and

23 “(B) \$400,000,000 for 2007, to be so allo-
24 cated, and

1 “(3) subsection (f)(3) thereof shall be applied
2 separately with respect to the amount of the increase
3 under paragraph (2).

4 “(n) TREATMENT OF REPRESENTATIONS REGARD-
5 ING INCOME ELIGIBILITY FOR PURPOSES OF QUALIFIED
6 RESIDENTIAL RENTAL PROJECT REQUIREMENTS.—For
7 purposes of determining if any residential rental project
8 meets the requirements of section 142(d)(1) and if any
9 certification with respect to such project meets the re-
10 quirements under section 142(d)(7), the operator of the
11 project may rely on the representations of any individual
12 applying for tenancy in such project that such individual’s
13 income will not exceed the applicable income limits of sec-
14 tion 142(d)(1) upon commencement of the individual’s
15 tenancy if such tenancy begins during the 6-month period
16 beginning on and after the date such individual was dis-
17 placed by reason of Hurricane Katrina.

18 “(o) TREATMENT OF PUBLIC UTILITY PROPERTY
19 DISASTER LOSSES.—

20 “(1) IN GENERAL.—Upon the election of the
21 taxpayer, in the case of any eligible public utility
22 property loss—

23 “(A) section 165(i) shall be applied by sub-
24 stituting ‘the fifth taxable year immediately

1 preceding' for 'the taxable year immediately
2 preceding',

3 "(B) an application for a tentative
4 carryback adjustment of the tax for any prior
5 taxable year affected by the application of sub-
6 paragraph (A) may be made under section
7 6411, and

8 "(C) section 6611 shall not apply to any
9 overpayment attributable to such loss.

10 "(2) ELIGIBLE PUBLIC UTILITY PROPERTY
11 LOSS.—For purposes of this subsection—

12 "(A) IN GENERAL.—The term 'eligible
13 public utility property loss' means any loss with
14 respect to public utility property located in the
15 Gulf Opportunity Zone and attributable to Hur-
16 ricane Katrina.

17 "(B) PUBLIC UTILITY PROPERTY.—The
18 term 'public utility property' has the meaning
19 given such term by section 168(i)(10) without
20 regard to the matter following subparagraph
21 (D) thereof.

22 "(3) WAIVER OF LIMITATIONS.—If refund or
23 credit of any overpayment of tax resulting from the
24 application of paragraph (1) is prevented at any
25 time before the close of the 1-year period beginning

1 on the date of the enactment of this section by the
2 operation of any law or rule of law (including res judi-
3 dicata), such refund or credit may nevertheless be
4 made or allowed if claim therefor is filed before the
5 close of such period.

6 “(p) TAX BENEFITS NOT AVAILABLE WITH RE-
7 SPECT TO CERTAIN PROPERTY.—

8 “(1) QUALIFIED GULF OPPORTUNITY ZONE
9 PROPERTY.—For purposes of subsections (d), (e),
10 and (k)(2)(B)(iv), the term ‘qualified Gulf Oppor-
11 tunity Zone property’ shall not include any property
12 described in paragraph (3).

13 “(2) QUALIFIED GULF OPPORTUNITY ZONE
14 CASUALTY LOSSES.—For purposes of subsection
15 (k)(2)(B)(i), the term ‘qualified Gulf Opportunity
16 Zone casualty loss’ shall not include any loss with
17 respect to any property described in paragraph (3).

18 “(3) PROPERTY DESCRIBED.—

19 “(A) IN GENERAL.—For purposes of this
20 subsection, property is described in this para-
21 graph if such property is—

22 “(i) any property used in connection
23 with any private or commercial golf course,
24 country club, massage parlor, hot tub facil-
25 ity, suntan facility, or any store the prin-

1 ciproal business of which is the sale of alco-
2 holic beverages for consumption off prem-
3 ises, or

4 “(ii) any gambling or animal racing
5 property.

6 “(B) GAMBLING OR ANIMAL RACING PROP-
7 ERTY.—For purposes of subparagraph (A)(ii)—

8 “(i) IN GENERAL.—The term ‘gam-
9 bling or animal racing property’ means—

10 “(I) any equipment, furniture,
11 software, or other property used di-
12 rectly in connection with gambling,
13 the racing of animals, or the on-site
14 viewing of such racing, and

15 “(II) the portion of any real
16 property (determined by square foot-
17 age) which is dedicated to gambling,
18 the racing of animals, or the on-site
19 viewing of such racing.

20 “(ii) DE MINIMIS PORTION.—Clause
21 (i)(II) shall not apply to any real property
22 if the portion so dedicated is less than 100
23 square feet.”.

24 (b) CONFORMING AMENDMENTS.—

1 (1) Paragraph (2) of section 54(c) is amended
2 by inserting “, section 1400N(l),” after “subpart
3 C”.

4 (2) Subparagraph (A) of section 6049(d)(8) is
5 amended—

6 (A) by inserting “or 1400N(l)(6)” after
7 “section 54(g)”, and

8 (B) by inserting “or 1400N(l)(2)(D), as
9 the case may be” after “section 54(b)(4)”.

10 (3) So much of subchapter Y of chapter 1 as
11 precedes section 1400L is amended to read as fol-
12 lows:

13 **“Subchapter Y—Short-Term Regional**
14 **Benefits**

“PART I—TAX BENEFITS FOR NEW YORK LIBERTY ZONE

“PART II—TAX BENEFITS FOR GO ZONES

15 **“PART I—TAX BENEFITS FOR NEW YORK LIBERTY**
16 **ZONE**

“Sec. 1400L. Tax benefits for New York Liberty Zone.”.

17 (4) The item relating to subchapter Y in the
18 table of subchapters for chapter 1 is amended to
19 read as follows:

“SUBCHAPTER Y—SHORT-TERM REGIONAL BENEFITS”.

20 (c) **EFFECTIVE DATE.**—

21 (1) **IN GENERAL.**—Except as provided in para-
22 graph (2), the amendments made by this section

1 shall apply to taxable years ending on or after Au-
2 gust 28, 2005.

3 (2) CARRYBACKS.—Subsections (i)(2), (j), and
4 (k) of section 1400N of the Internal Revenue Code
5 of 1986 (as added by this section) shall apply to
6 losses arising in such taxable years.

7 **SEC. 102. EXPANSION OF HOPE SCHOLARSHIP AND LIFE-**
8 **TIME LEARNING CREDIT FOR STUDENTS IN**
9 **THE GULF OPPORTUNITY ZONE.**

10 (a) IN GENERAL.—Part II of subchapter Y of chap-
11 ter 1 (as added by this Act) is amended by adding at the
12 end the following new section:

13 **“SEC. 14000. EDUCATION TAX BENEFITS.**

14 “In the case of an individual who attends an eligible
15 educational institution (as defined in section 25A(f)(2))
16 located in the Gulf Opportunity Zone for any taxable year
17 beginning during 2005 or 2006—

18 “(1) in applying section 25A, the term ‘quali-
19 fied tuition and related expenses’ shall include any
20 costs which are qualified higher education expenses
21 (as defined in section 529(e)(3)),

22 “(2) each of the dollar amounts in effect under
23 of subparagraphs (A) and (B) of section 25A(b)(1)
24 shall be twice the amount otherwise in effect before
25 the application of this subsection, and

1 “(3) section 25A(c)(1) shall be applied by sub-
2 stituting ‘40 percent’ for ‘20 percent’.”.

3 (b) CONFORMING AMENDMENT.—The table of sec-
4 tions for part II of subchapter Y of chapter 1 is amended
5 by adding at the end the following new item:

 “Sec. 1400O.Education tax benefits.”.

6 **SEC. 103. HOUSING RELIEF FOR INDIVIDUALS AFFECTED**
7 **BY HURRICANE KATRINA.**

8 (a) IN GENERAL.—Part II of subchapter Y of chap-
9 ter 1 (as added by this Act) is amended by adding at the
10 end the following new section:

11 **“SEC. 1400P. HOUSING TAX BENEFITS .**

12 “(a) EXCLUSION OF EMPLOYER PROVIDED HOUSING
13 FOR INDIVIDUAL AFFECTED BY HURRICANE KATRINA.—

14 “(1) IN GENERAL.—Gross income of a qualified
15 employee shall not include the value of any lodging
16 furnished in-kind to such employee (and such em-
17 ployee’s spouse or any of such employee’s depend-
18 ents) by or on behalf of a qualified employer for any
19 month during the taxable year.

20 “(2) LIMITATION.—The amount which may be
21 excluded under paragraph (1) for any month for
22 which lodging is furnished during the taxable year
23 shall not exceed \$600.

24 “(3) TREATMENT OF EXCLUSION.—The exclu-
25 sion under paragraph (1) shall be treated as an ex-

1 clusion under section 119 (other than for purposes
2 of sections 3121(a)(19) and 3306(b)(14)).

3 “(b) EMPLOYER CREDIT FOR HOUSING EMPLOYEES
4 AFFECTED BY HURRICANE KATRINA.—For purposes of
5 section 38, in the case of a qualified employer, the Hurri-
6 cane Katrina housing credit for any month during the tax-
7 able year is an amount equal to 30 percent of any amount
8 which is excludable from the gross income of a qualified
9 employee of such employer under subsection (a) and not
10 otherwise excludable under section 119.

11 “(c) QUALIFIED EMPLOYEE.—For purposes of this
12 section, the term ‘qualified employee’ means, with respect
13 to any month, an individual—

14 “(1) who had a principal residence (as defined
15 in section 121) in the Gulf Opportunity Zone on Au-
16 gust 28, 2005, and

17 “(2) who performs substantially all employment
18 services—

19 “(A) in the Gulf Opportunity Zone, and

20 “(B) for the qualified employer which fur-
21 nishes lodging to such individual.

22 “(d) QUALIFIED EMPLOYER.—For purposes of this
23 section, the term ‘qualified employer’ means any employer
24 with a trade or business located in the Gulf Opportunity
25 Zone.

1 “(e) CERTAIN RULES TO APPLY.—For purposes of
2 this subsection, rules similar to the rules of sections
3 51(i)(1) and 52 shall apply.

4 “(f) APPLICATION OF SECTION.—This section shall
5 apply to lodging furnished during the period—

6 “(1) beginning on the first day of the first
7 month beginning after the date of the enactment of
8 this section, and

9 “(2) ending on the date which is 6 months after
10 the first day described in paragraph (1).”.

11 (b) CONFORMING AMENDMENTS.—

12 (1) Subsection (b) of section 38 is amended by
13 striking “and” at the end of paragraph (25), by
14 striking the period at the end of paragraph (26) and
15 inserting “, and”, and by adding at the end the fol-
16 lowing new paragraphs:

17 “(27) the Hurricane Katrina housing credit de-
18 termined under section 1400P(b).”.

19 (2) Section 280C(a) is amended by striking
20 “and 1396(a)” and inserting “1396(a), and
21 1400P(b)”.

22 (3) The table of sections for part II of sub-
23 chapter Y of chapter 1 is amended by adding at the
24 end the following new item:

“Sec. 1400P.Housing tax benefits.”.

1 **SEC. 104. EXTENSION OF SPECIAL RULES FOR MORTGAGE**
2 **REVENUE BONDS.**

3 Section 404(d) of the Katrina Emergency Tax Relief
4 Act of 2005 is amended by striking “December 31, 2007”
5 and inserting “December 31, 2010”.

6 **SEC. 105. SPECIAL EXTENSION OF BONUS DEPRECIATION**
7 **PLACED IN SERVICE DATE FOR TAXPAYERS**
8 **AFFECTED BY HURRICANES KATRINA, RITA,**
9 **AND WILMA.**

10 In applying the rule under section 168(k)(2)(A)(iv)
11 of the Internal Revenue Code of 1986 to any property de-
12 scribed in subparagraph (B) or (C) of section 168(k)(2)
13 of such Code—

14 (1) the placement in service of which—

15 (A) is to be located in the GO Zone (as de-
16 fined in section 1400M(1) of such Code), the
17 Rita GO Zone (as defined in section 1400M(3)
18 of such Code), or the Wilma GO Zone (as de-
19 fined in section 1400M(5) of such Code), and

20 (B) is to be made by any taxpayer affected
21 by Hurricane Katrina, Rita, or Wilma, or

22 (2) which is manufactured in such Zone by any
23 person affected by Hurricane Katrina, Rita, or
24 Wilma,

25 the Secretary of the Treasury may, on a taxpayer by tax-
26 payer basis, extend the required date of the placement in

1 service of such property under such section by such period
2 of time as is determined necessary by the Secretary but
3 not to exceed 1 year. For purposes of the preceding sen-
4 tence, the determination shall be made by only taking into
5 account the effect of one or more hurricanes on the date
6 of such placement by the taxpayer.

7 **TITLE II—TAX BENEFITS RE-**
8 **LATED TO HURRICANES RITA**
9 **AND WILMA**

10 **SEC. 201. EXTENSION OF CERTAIN EMERGENCY TAX RE-**
11 **LIEF FOR HURRICANE KATRINA TO HURRI-**
12 **CANES RITA AND WILMA.**

13 (a) IN GENERAL.—Part II of subchapter Y of chap-
14 ter 1 (as added by this Act) is amended by adding at the
15 end the following new sections:

16 **“SEC. 1400Q. SPECIAL RULES FOR USE OF RETIREMENT**
17 **FUNDS.**

18 “(a) TAX-FAVORED WITHDRAWALS FROM RETIRE-
19 MENT PLANS.—

20 “(1) IN GENERAL.—Section 72(t) shall not
21 apply to any qualified hurricane distribution.

22 “(2) AGGREGATE DOLLAR LIMITATION.—

23 “(A) IN GENERAL.—For purposes of this
24 subsection, the aggregate amount of distribu-
25 tions received by an individual which may be

1 treated as qualified hurricane distributions for
2 any taxable year shall not exceed the excess (if
3 any) of—

4 “(i) \$100,000, over

5 “(ii) the aggregate amounts treated as
6 qualified hurricane distributions received
7 by such individual for all prior taxable
8 years.

9 “(B) TREATMENT OF PLAN DISTRIBUTIONS.—If a distribution to an individual would
10 (without regard to subparagraph (A)) be a
11 qualified hurricane distribution, a plan shall not
12 be treated as violating any requirement of this
13 title merely because the plan treats such dis-
14 tribution as a qualified hurricane distribution,
15 unless the aggregate amount of such distribu-
16 tions from all plans maintained by the employer
17 (and any member of any controlled group which
18 includes the employer) to such individual ex-
19 ceeds \$100,000.

21 “(C) CONTROLLED GROUP.—For purposes
22 of subparagraph (B), the term ‘controlled
23 group’ means any group treated as a single em-
24 ployer under subsection (b), (c), (m), or (o) of
25 section 414.

1 “(3) AMOUNT DISTRIBUTED MAY BE REPAID.—

2 “(A) IN GENERAL.—Any individual who
3 receives a qualified hurricane distribution may,
4 at any time during the 3-year period beginning
5 on the day after the date on which such dis-
6 tribution was received, make one or more con-
7 tributions in an aggregate amount not to exceed
8 the amount of such distribution to an eligible
9 retirement plan of which such individual is a
10 beneficiary and to which a rollover contribution
11 of such distribution could be made under sec-
12 tion 402(c), 403(a)(4), 403(b)(8), 408(d)(3), or
13 457(e)(16), as the case may be.

14 “(B) TREATMENT OF REPAYMENTS OF
15 DISTRIBUTIONS FROM ELIGIBLE RETIREMENT
16 PLANS OTHER THAN IRAS.—For purposes of
17 this title, if a contribution is made pursuant to
18 subparagraph (A) with respect to a qualified
19 hurricane distribution from an eligible retire-
20 ment plan other than an individual retirement
21 plan, then the taxpayer shall, to the extent of
22 the amount of the contribution, be treated as
23 having received the qualified hurricane distribu-
24 tion in an eligible rollover distribution (as de-
25 fined in section 402(c)(4)) and as having trans-

1 an individual whose principal place of
2 abode on August 28, 2005, is located in
3 the Hurricane Katrina disaster area and
4 who has sustained an economic loss by rea-
5 son of Hurricane Katrina,

6 “(ii) any distribution (which is not de-
7 scribed in clause (i)) from an eligible re-
8 tirement plan made on or after September
9 23, 2005, and before January 1, 2007, to
10 an individual whose principal place of
11 abode on September 23, 2005, is located in
12 the Hurricane Rita disaster area and who
13 has sustained an economic loss by reason
14 of Hurricane Rita, and

15 “(iii) any distribution (which is not
16 described in clause (i) or (ii)) from an eli-
17 gible retirement plan made on or after Oc-
18 tober 23, 2005, and before January 1,
19 2007, to an individual whose principal
20 place of abode on October 23, 2005, is lo-
21 cated in the Hurricane Wilma disaster
22 area and who has sustained an economic
23 loss by reason of Hurricane Wilma.

24 “(B) ELIGIBLE RETIREMENT PLAN.—The
25 term ‘eligible retirement plan’ shall have the

1 meaning given such term by section
2 402(c)(8)(B).

3 “(5) INCOME INCLUSION SPREAD OVER 3-YEAR
4 PERIOD.—

5 “(A) IN GENERAL.—In the case of any
6 qualified hurricane distribution, unless the tax-
7 payer elects not to have this paragraph apply
8 for any taxable year, any amount required to be
9 included in gross income for such taxable year
10 shall be so included ratably over the 3-taxable
11 year period beginning with such taxable year.

12 “(B) SPECIAL RULE.—For purposes of
13 subparagraph (A), rules similar to the rules of
14 subparagraph (E) of section 408A(d)(3) shall
15 apply.

16 “(6) SPECIAL RULES.—

17 “(A) EXEMPTION OF DISTRIBUTIONS FROM
18 TRUSTEE TO TRUSTEE TRANSFER AND WITH-
19 HOLDING RULES.—For purposes of sections
20 401(a)(31), 402(f), and 3405, qualified hurri-
21 cane distributions shall not be treated as eligi-
22 ble rollover distributions.

23 “(B) QUALIFIED HURRICANE DISTRIBU-
24 TIONS TREATED AS MEETING PLAN DISTRIBU-
25 TION REQUIREMENTS.—For purposes this title,

1 a qualified hurricane distribution shall be treat-
2 ed as meeting the requirements of sections
3 401(k)(2)(B)(i), 403(b)(7)(A)(ii), 403(b)(11),
4 and 457(d)(1)(A).

5 “(b) RECONTRIBUTIONS OF WITHDRAWALS FOR
6 HOME PURCHASES.—

7 “(1) RECONTRIBUTIONS.—

8 “(A) IN GENERAL.—Any individual who
9 received a qualified distribution may, during the
10 applicable period, make one or more contribu-
11 tions in an aggregate amount not to exceed the
12 amount of such qualified distribution to an eli-
13 gible retirement plan (as defined in section
14 402(c)(8)(B)) of which such individual is a ben-
15 efiary and to which a rollover contribution of
16 such distribution could be made under section
17 402(c), 403(a)(4), 403(b)(8), or 408(d)(3), as
18 the case may be.

19 “(B) TREATMENT OF REPAYMENTS.—

20 Rules similar to the rules of subparagraphs (B)
21 and (C) of subsection (a)(3) shall apply for pur-
22 poses of this subsection.

23 “(2) QUALIFIED DISTRIBUTION.—For purposes
24 of this subsection—

1 “(A) IN GENERAL.—The term ‘qualified
2 distribution’ means any qualified Katrina dis-
3 tribution, any qualified Rita distribution, and
4 any qualified Wilma distribution.

5 “(B) QUALIFIED KATRINA DISTRIBUTION.—The term ‘qualified Katrina distribu-
6 tion’ means any distribution—
7

8 “(i) described in section
9 401(k)(2)(B)(i)(IV), 403(b)(7)(A)(ii) (but
10 only to the extent such distribution relates
11 to financial hardship), 403(b)(11)(B), or
12 72(t)(2)(F),

13 “(ii) received after February 28,
14 2005, and before August 29, 2005, and

15 “(iii) which was to be used to pur-
16 chase or construct a principal residence in
17 the Hurricane Katrina disaster area, but
18 which was not so purchased or constructed
19 on account of Hurricane Katrina.

20 “(C) QUALIFIED RITA DISTRIBUTION.—
21 The term ‘qualified Rita distribution’ means
22 any distribution (other than a qualified Katrina
23 distribution)—

24 “(i) described in section
25 401(k)(2)(B)(i)(IV), 403(b)(7)(A)(ii) (but

1 only to the extent such distribution relates
2 to financial hardship), 403(b)(11)(B), or
3 72(t)(2)(F),

4 “(ii) received after February 28,
5 2005, and before September 24, 2005, and

6 “(iii) which was to be used to pur-
7 chase or construct a principal residence in
8 the Hurricane Rita disaster area, but
9 which was not so purchased or constructed
10 on account of Hurricane Rita.

11 “(D) QUALIFIED WILMA DISTRIBUTION.—

12 The term ‘qualified Wilma distribution’ means
13 any distribution (other than a qualified Katrina
14 distribution or a qualified Rita distribution)—

15 “(i) described in section
16 401(k)(2)(B)(i)(IV), 403(b)(7)(A)(ii) (but
17 only to the extent such distribution relates
18 to financial hardship), 403(b)(11)(B), or
19 72(t)(2)(F),

20 “(ii) received after February 28,
21 2005, and before October 24, 2005, and

22 “(iii) which was to be used to pur-
23 chase or construct a principal residence in
24 the Hurricane Wilma disaster area, but

1 which was not so purchased or constructed
2 on account of Hurricane Wilma.

3 “(3) APPLICABLE PERIOD.—For purposes of
4 this subsection, the term ‘applicable period’ means—

5 “(A) with respect to any qualified Katrina
6 distribution, the period beginning on August
7 25, 2005, and ending on February 28, 2006,

8 “(B) with respect to any qualified Rita dis-
9 tribution, the period beginning on September
10 23, 2005, and ending on February 28, 2006,
11 and

12 “(C) with respect to any qualified Wilma
13 distribution, the period beginning on October
14 23, 2005, and ending on February 28, 2006.

15 “(c) LOANS FROM QUALIFIED PLANS.—

16 “(1) INCREASE IN LIMIT ON LOANS NOT TREAT-
17 ED AS DISTRIBUTIONS.—In the case of any loan
18 from a qualified employer plan (as defined under
19 section 72(p)(4)) to a qualified individual made dur-
20 ing the applicable period—

21 “(A) clause (i) of section 72(p)(2)(A) shall
22 be applied by substituting ‘\$100,000’ for
23 ‘\$50,000’, and

24 “(B) clause (ii) of such section shall be ap-
25 plied by substituting ‘the present value of the

1 nonforfeitable accrued benefit of the employee
2 under the plan’ for ‘one-half of the present
3 value of the nonforfeitable accrued benefit of
4 the employee under the plan’.

5 “(2) DELAY OF REPAYMENT.—In the case of a
6 qualified individual with an outstanding loan on or
7 after the qualified beginning date from a qualified
8 employer plan (as defined in section 72(p)(4))—

9 “(A) if the due date pursuant to subpara-
10 graph (B) or (C) of section 72(p)(2) for any re-
11 payment with respect to such loan occurs dur-
12 ing the period beginning on the qualified begin-
13 ning date and ending on December 31, 2006,
14 such due date shall be delayed for 1 year,

15 “(B) any subsequent repayments with re-
16 spect to any such loan shall be appropriately
17 adjusted to reflect the delay in the due date
18 under paragraph (1) and any interest accruing
19 during such delay, and

20 “(C) in determining the 5-year period and
21 the term of a loan under subparagraph (B) or
22 (C) of section 72(p)(2), the period described in
23 subparagraph (A) shall be disregarded.

24 “(3) QUALIFIED INDIVIDUAL.—For purposes of
25 this subsection—

1 “(A) IN GENERAL.—The term ‘qualified
2 individual’ means any qualified Hurricane
3 Katrina individual, any qualified Hurricane
4 Rita individual, and any qualified Hurricane
5 Wilma individual.

6 “(B) QUALIFIED HURRICANE KATRINA IN-
7 DIVIDUAL.—The term ‘qualified Hurricane
8 Katrina individual’ means an individual whose
9 principal place of abode on August 28, 2005, is
10 located in the Hurricane Katrina disaster area
11 and who has sustained an economic loss by rea-
12 son of Hurricane Katrina.

13 “(C) QUALIFIED HURRICANE RITA INDI-
14 VIDUAL.—The term ‘qualified Hurricane Rita
15 individual’ means an individual (other than a
16 qualified Hurricane Katrina individual) whose
17 principal place of abode on September 23,
18 2005, is located in the Hurricane Rita disaster
19 area and who has sustained an economic loss by
20 reason of Hurricane Rita.

21 “(D) QUALIFIED HURRICANE WILMA INDI-
22 VIDUAL.—The term ‘qualified Hurricane Wilma
23 individual’ means an individual (other than a
24 qualified Hurricane Katrina individual or a
25 qualified Hurricane Rita individual) whose prin-

1 ciplal place of abode on October 23, 2005, is lo-
2 cated in the Hurricane Wilma disaster area and
3 who has sustained an economic loss by reason
4 of Hurricane Wilma.

5 “(4) APPLICABLE PERIOD; QUALIFIED BEGIN-
6 NING DATE.—For purposes of this subsection—

7 “(A) HURRICANE KATRINA.—In the case
8 of any qualified Hurricane Katrina individual—

9 “(i) the applicable period is the period
10 beginning on September 24, 2005, and
11 ending on December 31, 2006, and

12 “(ii) the qualified beginning date is
13 August 25, 2005.

14 “(B) HURRICANE RITA.—In the case of
15 any qualified Hurricane Rita individual—

16 “(i) the applicable period is the period
17 beginning on the date of the enactment of
18 this subsection and ending on December
19 31, 2006, and

20 “(ii) the qualified beginning date is
21 September 23, 2005.

22 “(C) HURRICANE WILMA.—In the case of
23 any qualified Hurricane Wilma individual—

24 “(i) the applicable period is the period
25 beginning on the date of the enactment of

1 this subparagraph and ending on Decem-
2 ber 31, 2006, and

3 “(ii) the qualified beginning date is
4 October 23, 2005.

5 “(d) PROVISIONS RELATING TO PLAN AMEND-
6 MENTS.—

7 “(1) IN GENERAL.—If this subsection applies to
8 any amendment to any plan or annuity contract,
9 such plan or contract shall be treated as being oper-
10 ated in accordance with the terms of the plan during
11 the period described in paragraph (2)(B)(i).

12 “(2) AMENDMENTS TO WHICH SUBSECTION AP-
13 PLIES.—

14 “(A) IN GENERAL.—This subsection shall
15 apply to any amendment to any plan or annuity
16 contract which is made—

17 “(i) pursuant to any provision of this
18 section, or pursuant to any regulation
19 issued by the Secretary or the Secretary of
20 Labor under any provision of this section,
21 and

22 “(ii) on or before the last day of the
23 first plan year beginning on or after Janu-
24 ary 1, 2007, or such later date as the Sec-
25 retary may prescribe.

1 In the case of a governmental plan (as defined
2 in section 414(d)), clause (ii) shall be applied
3 by substituting the date which is 2 years after
4 the date otherwise applied under clause (ii).

5 “(B) CONDITIONS.—This subsection shall
6 not apply to any amendment unless—

7 “(i) during the period—

8 “(I) beginning on the date that
9 this section or the regulation de-
10 scribed in subparagraph (A)(i) takes
11 effect (or in the case of a plan or con-
12 tract amendment not required by this
13 section or such regulation, the effec-
14 tive date specified by the plan), and

15 “(II) ending on the date de-
16 scribed in subparagraph (A)(ii) (or, if
17 earlier, the date the plan or contract
18 amendment is adopted),

19 the plan or contract is operated as if such
20 plan or contract amendment were in effect;
21 and

22 “(ii) such plan or contract amendment
23 applies retroactively for such period.

1 **“SEC. 1400R. EMPLOYMENT RELIEF.**

2 “(a) EMPLOYEE RETENTION CREDIT FOR EMPLOY-
3 ERS AFFECTED BY HURRICANE KATRINA.—

4 “(1) IN GENERAL.—For purposes of section 38,
5 in the case of an eligible employer, the Hurricane
6 Katrina employee retention credit for any taxable
7 year is an amount equal to 40 percent of the quali-
8 fied wages with respect to each eligible employee of
9 such employer for such taxable year. For purposes
10 of the preceding sentence, the amount of qualified
11 wages which may be taken into account with respect
12 to any individual shall not exceed \$6,000.

13 “(2) DEFINITIONS.—For purposes of this
14 subsection—

15 “(A) ELIGIBLE EMPLOYER.—The term ‘eli-
16 gible employer’ means any employer—

17 “(i) which conducted an active trade
18 or business on August 28, 2005, in the GO
19 Zone, and

20 “(ii) with respect to whom the trade
21 or business described in clause (i) is inop-
22 erable on any day after August 28, 2005,
23 and before January 1, 2006, as a result of
24 damage sustained by reason of Hurricane
25 Katrina.

1 “(B) ELIGIBLE EMPLOYEE.—The term ‘el-
2 igible employee’ means with respect to an eligi-
3 ble employer an employee whose principal place
4 of employment on August 28, 2005, with such
5 eligible employer was in the GO Zone.

6 “(C) QUALIFIED WAGES.—The term
7 ‘qualified wages’ means wages (as defined in
8 section 51(c)(1), but without regard to section
9 3306(b)(2)(B)) paid or incurred by an eligible
10 employer with respect to an eligible employee on
11 any day after August 28, 2005, and before Jan-
12 uary 1, 2006, which occurs during the period—

13 “(i) beginning on the date on which
14 the trade or business described in subpara-
15 graph (A) first became inoperable at the
16 principal place of employment of the em-
17 ployee immediately before Hurricane
18 Katrina, and

19 “(ii) ending on the date on which such
20 trade or business has resumed significant
21 operations at such principal place of em-
22 ployment.

23 Such term shall include wages paid without re-
24 gard to whether the employee performs no serv-
25 ices, performs services at a different place of

1 employment than such principal place of em-
2 ployment, or performs services at such principal
3 place of employment before significant oper-
4 ations have resumed.

5 “(3) CERTAIN RULES TO APPLY.—For purposes
6 of this subsection, rules similar to the rules of sec-
7 tions 51(i)(1) and 52 shall apply.

8 “(4) EMPLOYEE NOT TAKEN INTO ACCOUNT
9 MORE THAN ONCE.—An employee shall not be treat-
10 ed as an eligible employee for purposes of this sub-
11 section for any period with respect to any employer
12 if such employer is allowed a credit under section 51
13 with respect to such employee for such period.

14 “(b) EMPLOYEE RETENTION CREDIT FOR EMPLOY-
15 ERS AFFECTED BY HURRICANE RITA.—

16 “(1) IN GENERAL.—For purposes of section 38,
17 in the case of an eligible employer, the Hurricane
18 Rita employee retention credit for any taxable year
19 is an amount equal to 40 percent of the qualified
20 wages with respect to each eligible employee of such
21 employer for such taxable year. For purposes of the
22 preceding sentence, the amount of qualified wages
23 which may be taken into account with respect to any
24 individual shall not exceed \$6,000.

1 “(2) DEFINITIONS.—For purposes of this
2 subsection—

3 “(A) ELIGIBLE EMPLOYER.—The term ‘eli-
4 gible employer’ means any employer—

5 “(i) which conducted an active trade
6 or business on September 23, 2005, in the
7 Rita GO Zone, and

8 “(ii) with respect to whom the trade
9 or business described in clause (i) is inop-
10 erable on any day after September 23,
11 2005, and before January 1, 2006, as a re-
12 sult of damage sustained by reason of
13 Hurricane Rita.

14 “(B) ELIGIBLE EMPLOYEE.—The term ‘el-
15 igible employee’ means with respect to an eligi-
16 ble employer an employee whose principal place
17 of employment on September 23, 2005, with
18 such eligible employer was in the Rita GO
19 Zone.

20 “(C) QUALIFIED WAGES.—The term
21 ‘qualified wages’ means wages (as defined in
22 section 51(c)(1), but without regard to section
23 3306(b)(2)(B)) paid or incurred by an eligible
24 employer with respect to an eligible employee on
25 any day after September 23, 2005, and before

1 January 1, 2006, which occurs during the
2 period—

3 “(i) beginning on the date on which
4 the trade or business described in subpara-
5 graph (A) first became inoperable at the
6 principal place of employment of the em-
7 ployee immediately before Hurricane Rita,
8 and

9 “(ii) ending on the date on which such
10 trade or business has resumed significant
11 operations at such principal place of em-
12 ployment.

13 Such term shall include wages paid without re-
14 gard to whether the employee performs no serv-
15 ices, performs services at a different place of
16 employment than such principal place of em-
17 ployment, or performs services at such principal
18 place of employment before significant oper-
19 ations have resumed.

20 “(3) CERTAIN RULES TO APPLY.—For purposes
21 of this subsection, rules similar to the rules of sec-
22 tions 51(i)(1) and 52 shall apply.

23 “(4) EMPLOYEE NOT TAKEN INTO ACCOUNT
24 MORE THAN ONCE.—An employee shall not be treat-
25 ed as an eligible employee for purposes of this sub-

1 section for any period with respect to any employer
2 if such employer is allowed a credit under subsection
3 (a) or section 51 with respect to such employee for
4 such period.

5 “(c) EMPLOYEE RETENTION CREDIT FOR EMPLOY-
6 ERS AFFECTED BY HURRICANE WILMA.—

7 “(1) IN GENERAL.—For purposes of section 38,
8 in the case of an eligible employer, the Hurricane
9 Wilma employee retention credit for any taxable year
10 is an amount equal to 40 percent of the qualified
11 wages with respect to each eligible employee of such
12 employer for such taxable year. For purposes of the
13 preceding sentence, the amount of qualified wages
14 which may be taken into account with respect to any
15 individual shall not exceed \$6,000.

16 “(2) DEFINITIONS.—For purposes of this
17 subsection—

18 “(A) ELIGIBLE EMPLOYER.—The term ‘eli-
19 gible employer’ means any employer—

20 “(i) which conducted an active trade
21 or business on October 23, 2005, in the
22 Wilma GO Zone, and

23 “(ii) with respect to whom the trade
24 or business described in clause (i) is inop-
25 erable on any day after October 23, 2005,

1 and before January 1, 2006, as a result of
2 damage sustained by reason of Hurricane
3 Wilma.

4 “(B) ELIGIBLE EMPLOYEE.—The term ‘el-
5 igible employee’ means with respect to an eligi-
6 ble employer an employee whose principal place
7 of employment on October 23, 2005, with such
8 eligible employer was in the Wilma GO Zone.

9 “(C) QUALIFIED WAGES.—The term
10 ‘qualified wages’ means wages (as defined in
11 section 51(c)(1), but without regard to section
12 3306(b)(2)(B)) paid or incurred by an eligible
13 employer with respect to an eligible employee on
14 any day after October 23, 2005, and before
15 January 1, 2006, which occurs during the
16 period—

17 “(i) beginning on the date on which
18 the trade or business described in subpara-
19 graph (A) first became inoperable at the
20 principal place of employment of the em-
21 ployee immediately before Hurricane
22 Wilma, and

23 “(ii) ending on the date on which such
24 trade or business has resumed significant

1 operations at such principal place of em-
2 ployment.

3 Such term shall include wages paid without re-
4 gard to whether the employee performs no serv-
5 ices, performs services at a different place of
6 employment than such principal place of em-
7 ployment, or performs services at such principal
8 place of employment before significant oper-
9 ations have resumed.

10 “(3) CERTAIN RULES TO APPLY.—For purposes
11 of this subsection, rules similar to the rules of sec-
12 tions 51(i)(1) and 52 shall apply.

13 “(4) EMPLOYEE NOT TAKEN INTO ACCOUNT
14 MORE THAN ONCE.—An employee shall not be treat-
15 ed as an eligible employee for purposes of this sub-
16 section for any period with respect to any employer
17 if such employer is allowed a credit under subsection
18 (a) or (b) or section 51 with respect to such em-
19 ployee for such period.

20 **“SEC. 1400S. ADDITIONAL TAX RELIEF PROVISIONS.**

21 “(a) TEMPORARY SUSPENSION OF LIMITATIONS ON
22 CHARITABLE CONTRIBUTIONS.—

23 “(1) IN GENERAL.—Except as otherwise pro-
24 vided in paragraph (2), section 170(b) shall not
25 apply to qualified contributions and such contribu-

1 tions shall not be taken into account for purposes of
2 applying subsections (b) and (d) of section 170 to
3 other contributions.

4 “(2) TREATMENT OF EXCESS CONTRIBU-
5 TIONS.—For purposes of section 170—

6 “(A) INDIVIDUALS.—In the case of an
7 individual—

8 “(i) LIMITATION.—Any qualified con-
9 tribution shall be allowed only to the ex-
10 tent that the aggregate of such contribu-
11 tions does not exceed the excess of the tax-
12 payer’s contribution base (as defined in
13 subparagraph (F) of section 170(b)(1))
14 over the amount of all other charitable
15 contributions allowed under section
16 170(b)(1).

17 “(ii) CARRYOVER.—If the aggregate
18 amount of qualified contributions made in
19 the contribution year (within the meaning
20 of section 170(d)(1)) exceeds the limitation
21 of clause (i), such excess shall be added to
22 the excess described in the portion of sub-
23 paragraph (A) of such section which pre-
24 cedes clause (i) thereof for purposes of ap-
25 plying such section.

1 “(B) CORPORATIONS.—In the case of a
2 corporation—

3 “(i) LIMITATION.—Any qualified con-
4 tribution shall be allowed only to the ex-
5 tent that the aggregate of such contribu-
6 tions does not exceed the excess of the tax-
7 payer’s taxable income (as determined
8 under paragraph (2) of section 170(b))
9 over the amount of all other charitable
10 contributions allowed under such para-
11 graph.

12 “(ii) CARRYOVER.—Rules similar to
13 the rules of subparagraph (A)(ii) shall
14 apply for purposes of this subparagraph.

15 “(3) EXCEPTION TO OVERALL LIMITATION ON
16 ITEMIZED DEDUCTIONS.—So much of any deduction
17 allowed under section 170 as does not exceed the
18 qualified contributions paid during the taxable year
19 shall not be treated as an itemized deduction for
20 purposes of section 68.

21 “(4) QUALIFIED CONTRIBUTIONS.—

22 “(A) IN GENERAL.—For purposes of this
23 subsection, the term ‘qualified contribution’
24 means any charitable contribution (as defined
25 in section 170(c)) if—

1 “(i) such contribution is paid during
2 the period beginning on August 28, 2005,
3 and ending on December 31, 2005, in cash
4 to an organization described in section
5 170(b)(1)(A) (other than an organization
6 described in section 509(a)(3)),

7 “(ii) in the case of a contribution paid
8 by a corporation, such contribution is for
9 relief efforts related to Hurricane Katrina,
10 Hurricane Rita, or Hurricane Wilma, and

11 “(iii) the taxpayer has elected the ap-
12 plication of this subsection with respect to
13 such contribution.

14 “(B) EXCEPTION.—Such term shall not in-
15 clude a contribution if the contribution is for
16 establishment of a new, or maintenance in an
17 existing, segregated fund or account with re-
18 spect to which the donor (or any person ap-
19 pointed or designated by such donor) has, or
20 reasonably expects to have, advisory privileges
21 with respect to distributions or investments by
22 reason of the donor’s status as a donor.

23 “(C) APPLICATION OF ELECTION TO PART-
24 NERSHIPS AND S CORPORATIONS.—In the case
25 of a partnership or S corporation, the election

1 under subparagraph (A)(iii) shall be made sepa-
2 rately by each partner or shareholder.

3 “(b) SUSPENSION OF CERTAIN LIMITATIONS ON
4 PERSONAL CASUALTY LOSSES.—Paragraphs (1) and
5 (2)(A) of section 165(h) shall not apply to losses described
6 in section 165(c)(3)—

7 “(1) which arise in the Hurricane Katrina dis-
8 aster area on or after August 25, 2005, and which
9 are attributable to Hurricane Katrina,

10 “(2) which arise in the Hurricane Rita disaster
11 area on or after September 23, 2005, and which are
12 attributable to Hurricane Rita, or

13 “(3) which arise in the Hurricane Wilma dis-
14 aster area on or after October 23, 2005, and which
15 are attributable to Hurricane Wilma.

16 In the case of any other losses, section 165(h)(2)(A) shall
17 be applied without regard to the losses referred to in the
18 preceding sentence.

19 “(c) REQUIRED EXERCISE OF AUTHORITY UNDER
20 SECTION 7508A.—In the case of any taxpayer determined
21 by the Secretary to be affected by the Presidentially de-
22 clared disaster relating to Hurricane Katrina, Hurricane
23 Rita, or Hurricane Wilma, any relief provided by the Sec-
24 retary under section 7508A shall be for a period ending
25 not earlier than February 28, 2006.

1 “(d) SPECIAL RULE FOR DETERMINING EARNED IN-
2 COME.—

3 “(1) IN GENERAL.—In the case of a qualified
4 individual, if the earned income of the taxpayer for
5 the taxable year which includes the applicable date
6 is less than the earned income of the taxpayer for
7 the preceding taxable year, the credits allowed under
8 sections 24(d) and 32 may, at the election of the
9 taxpayer, be determined by substituting—

10 “(A) such earned income for the preceding
11 taxable year, for

12 “(B) such earned income for the taxable
13 year which includes the applicable date.

14 “(2) QUALIFIED INDIVIDUAL.—For purposes of
15 this subsection—

16 “(A) IN GENERAL.—The term ‘qualified
17 individual’ means any qualified Hurricane
18 Katrina individual, any qualified Hurricane
19 Rita individual, and any qualified Hurricane
20 Wilma individual.

21 “(B) QUALIFIED HURRICANE KATRINA IN-
22 DIVIDUAL.—The term ‘qualified Hurricane
23 Katrina individual’ means any individual whose
24 principal place of abode on August 25, 2005,
25 was located—

1 “(i) in the GO Zone, or

2 “(ii) in the Hurricane Katrina dis-
3 aster area (but outside the GO Zone) and
4 such individual was displaced from such
5 principal place of abode by reason of Hur-
6 ricane Katrina.

7 “(C) QUALIFIED HURRICANE RITA INDI-
8 VIDUAL.—The term ‘qualified Hurricane Rita
9 individual’ means any individual (other than a
10 qualified Hurricane Katrina individual) whose
11 principal place of abode on September 23,
12 2005, was located—

13 “(i) in the Rita GO Zone, or

14 “(ii) in the Hurricane Rita disaster
15 area (but outside the Rita GO Zone) and
16 such individual was displaced from such
17 principal place of abode by reason of Hur-
18 ricane Rita.

19 “(D) QUALIFIED HURRICANE WILMA INDI-
20 VIDUAL.—The term ‘qualified Hurricane Wilma
21 individual’ means any individual whose prin-
22 cipal place of abode on October 23, 2005, was
23 located—

24 “(i) in the Wilma GO Zone, or

1 “(ii) in the Hurricane Wilma disaster
2 area (but outside the Wilma GO Zone) and
3 such individual was displaced from such
4 principal place of abode by reason of Hur-
5 ricane Wilma.

6 “(3) APPLICABLE DATE.—For purposes of this
7 subsection, the term ‘applicable date’ means—

8 “(A) in the case of a qualified Hurricane
9 Katrina individual, August 25, 2005,

10 “(B) in the case of a qualified Hurricane
11 Rita individual, September 23, 2005, and

12 “(C) in the case of a qualified Hurricane
13 Wilma individual, October 23, 2005.

14 “(4) EARNED INCOME.—For purposes of this
15 subsection, the term ‘earned income’ has the mean-
16 ing given such term under section 32(c).

17 “(5) SPECIAL RULES.—

18 “(A) APPLICATION TO JOINT RETURNS.—
19 For purposes of paragraph (1), in the case of
20 a joint return for a taxable year which includes
21 the applicable date—

22 “(i) such paragraph shall apply if ei-
23 ther spouse is a qualified individual, and

24 “(ii) the earned income of the tax-
25 payer for the preceding taxable year shall

1 be the sum of the earned income of each
2 spouse for such preceding taxable year.

3 “(B) UNIFORM APPLICATION OF ELEC-
4 TION.—Any election made under paragraph (1)
5 shall apply with respect to both section 24(d)
6 and section 32.

7 “(C) ERRORS TREATED AS MATHEMATICAL
8 ERROR.—For purposes of section 6213, an in-
9 correct use on a return of earned income pursu-
10 ant to paragraph (1) shall be treated as a
11 mathematical or clerical error.

12 “(D) NO EFFECT ON DETERMINATION OF
13 GROSS INCOME, ETC.—Except as otherwise pro-
14 vided in this subsection, this title shall be ap-
15 plied without regard to any substitution under
16 paragraph (1).

17 “(e) SECRETARIAL AUTHORITY TO MAKE ADJUST-
18 MENTS REGARDING TAXPAYER AND DEPENDENCY STA-
19 TUS.—With respect to taxable years beginning in 2005 or
20 2006, the Secretary may make such adjustments in the
21 application of the internal revenue laws as may be nec-
22 essary to ensure that taxpayers do not lose any deduction
23 or credit or experience a change of filing status by reason
24 of temporary relocations by reason of Hurricane Katrina,
25 Hurricane Rita, or Hurricane Wilma. Any adjustments

1 made under the preceding sentence shall ensure that an
2 individual is not taken into account by more than one tax-
3 payer with respect to the same tax benefit.

4 **“SEC. 1400T. SPECIAL RULES FOR MORTGAGE REVENUE**
5 **BONDS.**

6 “(a) IN GENERAL.—In the case of financing provided
7 with respect to owner-occupied residences in the GO Zone,
8 the Rita GO Zone, or the Wilma GO Zone, section 143
9 shall be applied—

10 “(1) by treating any such residence in the Rita
11 GO Zone or the Wilma GO Zone as a targeted area
12 residence,

13 “(2) by applying subsection (f)(3) thereof with-
14 out regard to subparagraph (A) thereof, and

15 “(3) by substituting ‘\$150,000’ for ‘\$15,000’ in
16 subsection (k)(4) thereof.

17 “(b) APPLICATION.—Subsection (a) shall not apply
18 to financing provided after December 31, 2010.”.

19 (b) CONFORMING AMENDMENTS.—

20 (1) Subsection (b) of section 38, as amended by
21 this Act, is amended by striking “and” at the end
22 of paragraph (26), by striking the period at the end
23 of paragraph (27) and inserting a comma, and by
24 adding at the end the following new paragraphs:

1 “(28) the Hurricane Katrina employee reten-
2 tion credit determined under section 1400R(a),

3 “(29) the Hurricane Rita employee retention
4 credit determined under section 1400R(b), and

5 “(30) the Hurricane Wilma employee retention
6 credit determined under section 1400R(c).”.

7 (2) Section 280C(a), as amended by this Act, is
8 amended by striking “and 1400P(b)” and inserting
9 “1400P(b), and 1400R”.

10 (3) The table of sections for part II of sub-
11 chapter Y of chapter 1 is amended by adding at the
12 end the following new items:

“Sec. 1400Q. Special rules for use of retirement funds.

“Sec. 1400R. Employment relief.

“Sec. 1400S. Additional tax relief provisions.”.

13 (4) The following provisions of the Katrina
14 Emergency Tax Relief Act of 2005 are hereby re-
15 pealed:

16 (A) Title I.

17 (B) Sections 202, 301, 402, 403(b), 406,
18 and 407.

19 **TITLE III—OTHER PROVISIONS**

20 **SEC. 301. GULF COAST RECOVERY BONDS.**

21 It is the sense of the Congress that the Secretary of
22 the Treasury, or the Secretary’s delegate, should designate
23 one or more series of bonds or certificates (or any portion
24 thereof) issued under section 3105 of title 31, United

1 States Code, as “Gulf Coast Recovery Bonds” in response
2 to Hurricanes Katrina, Rita, and Wilma.

3 **SEC. 302. ELECTION TO INCLUDE COMBAT PAY AS EARNED**
4 **INCOME FOR PURPOSES OF EARNED INCOME**
5 **CREDIT.**

6 (a) IN GENERAL.—Subclause (II) of section
7 32(c)(2)(B)(vi) is amended by striking “January 1, 2006”
8 and inserting “January 1, 2007”.

9 (b) EFFECTIVE DATE.—The amendment made by
10 subsection (a) shall apply to taxable years beginning after
11 December 31, 2005.

12 **SEC. 303. MODIFICATION OF EFFECTIVE DATE OF EXCEP-**
13 **TION FROM SUSPENSION RULES FOR CER-**
14 **TAIN LISTED AND REPORTABLE TRANS-**
15 **ACTIONS.**

16 (a) EFFECTIVE DATE MODIFICATION.—

17 (1) IN GENERAL.—Paragraph (2) of section
18 903(d) of the American Jobs Creation Act of 2004
19 is amended to read as follows:

20 “(2) EXCEPTION FOR REPORTABLE OR LISTED
21 TRANSACTIONS.—

22 “(A) IN GENERAL.—The amendments
23 made by subsection (c) shall apply with respect
24 to interest accruing after October 3, 2004.

1 “(B) SPECIAL RULE FOR CERTAIN LISTED
2 AND REPORTABLE TRANSACTIONS.—

3 “(i) IN GENERAL.—Except as pro-
4 vided in clauses (ii), (iii), and (iv), the
5 amendments made by subsection (c) shall
6 also apply with respect to interest accruing
7 on or before October 3, 2004.

8 “(ii) PARTICIPANTS IN SETTLEMENT
9 INITIATIVES.—Clause (i) shall not apply to
10 any transaction if, as of January 23,
11 2006—

12 “(I) the taxpayer is participating
13 in a settlement initiative described in
14 Internal Revenue Service Announce-
15 ment 2005-80 with respect to such
16 transaction, or

17 “(II) the taxpayer has entered
18 into a settlement agreement pursuant
19 to such an initiative.

20 Subclause (I) shall not apply to any tax-
21 payer if, after January 23, 2006, the tax-
22 payer withdraws from, or terminates, par-
23 ticipation in the initiative or the Secretary
24 of the Treasury or the Secretary’s delegate
25 determines that a settlement agreement

1 will not be reached pursuant to the initia-
2 tive within a reasonable period of time.

3 “(iii) TAXPAYERS ACTING IN GOOD
4 FAITH.—The Secretary of the Treasury
5 may except from the application of clause
6 (i) any transaction in which the taxpayer
7 has acted reasonably and in good faith.

8 “(iv) CLOSED TRANSACTIONS.—
9 Clause (i) shall not apply to a transaction
10 if, as of December 14, 2005—

11 “(I) the assessment of all Fed-
12 eral income taxes for the taxable year
13 in which the tax liability to which the
14 interest relates arose is prevented by
15 the operation of any law or rule of
16 law, or

17 “(II) a closing agreement under
18 section 7121 has been entered into
19 with respect to the tax liability arising
20 in connection with the transaction.”.

21 (2) EFFECTIVE DATE.—The amendment made
22 by this subsection shall take effect as if included in
23 the provisions of the American Jobs Creation Act of
24 2004 to which it relates.

1 (b) TREATMENT OF AMENDED RETURNS AND
2 OTHER SIMILAR NOTICES OF ADDITIONAL TAX OWED.—

3 (1) IN GENERAL.—Section 6404(g)(1) (relating
4 to suspension) is amended by adding at the end the
5 following new sentence: “If, after the return for a
6 taxable year is filed, the taxpayer provides to the
7 Secretary 1 or more signed written documents show-
8 ing that the taxpayer owes an additional amount of
9 tax for the taxable year, clause (i) shall be applied
10 by substituting the date the last of the documents
11 was provided for the date on which the return is
12 filed.”.

13 (2) EFFECTIVE DATE.—The amendment made
14 by this subsection shall apply to documents provided
15 on or after the date of the enactment of this Act.

16 **SEC. 304. AUTHORITY FOR UNDERCOVER OPERATIONS.**

17 Paragraph (6) of section 7608(c) (relating to applica-
18 tion of section) is amended by striking “January 1, 2006”
19 both places it appears and inserting “January 1, 2007”.

20 **SEC. 305. DISCLOSURES OF CERTAIN TAX RETURN INFOR-**
21 **MATION.**

22 (a) DISCLOSURES TO FACILITATE COMBINED EM-
23 PLOYMENT TAX REPORTING.—

24 (1) IN GENERAL.—Subparagraph (B) of section
25 6103(d)(5) (relating to termination) is amended by

1 striking “December 31, 2005” and inserting “De-
2 cember 31, 2006”.

3 (2) EFFECTIVE DATE.—The amendment made
4 by paragraph (1) shall apply to disclosures after De-
5 cember 31, 2005.

6 (b) DISCLOSURES RELATING TO TERRORIST ACTIVI-
7 TIES.—

8 (1) IN GENERAL.—Clause (iv) of section
9 6103(i)(3)(C) and subparagraph (E) of section
10 6103(i)(7) are each amended by striking “December
11 31, 2005” and inserting “December 31, 2006”.

12 (2) EFFECTIVE DATE.—The amendments made
13 by paragraph (1) shall apply to disclosures after De-
14 cember 31, 2005.

15 (c) DISCLOSURES RELATING TO STUDENT LOANS.—

16 (1) IN GENERAL.—Subparagraph (D) of section
17 6103(l)(13) (relating to termination) is amended by
18 striking “December 31, 2005” and inserting “De-
19 cember 31, 2006”.

20 (2) EFFECTIVE DATE.—The amendment made
21 by paragraph (1) shall apply to requests made after
22 December 31, 2005.

1 **TITLE IV—TECHNICALS**
2 **Subtitle A—Tax Technicals**

3 **SEC. 401. SHORT TITLE.**

4 This subtitle may be cited as the “Tax Technical Cor-
5 rections Act of 2005”.

6 **SEC. 402. AMENDMENTS RELATED TO ENERGY POLICY ACT**
7 **OF 2005.**

8 (a) AMENDMENTS RELATED TO SECTION 1263.—

9 (1) Part VI of subchapter O of chapter 1 is re-
10 pealed.

11 (2) Section 1223 is amended by striking para-
12 graph (3) and by redesignating paragraphs (4)
13 through (16) as paragraphs (3) through (15), re-
14 spectively.

15 (3) Section 121(g) is amended by striking
16 “1223(7)” and inserting “1223(6)”.

17 (4) Section 246(c)(3)(B) is amended by striking
18 “paragraph (4) of section 1223” and inserting
19 “paragraph (3) of section 1223”.

20 (5) Section 247(b)(2)(D) is amended by insert-
21 ing “as in effect before its repeal” after “part VI of
22 subchapter O”.

23 (6)(A) Section 1245(b) is amended by striking
24 paragraph (5) and redesignating paragraphs (6)

1 through (9) as paragraphs (5) through (8), respec-
2 tively.

3 (B) Section 1245(b)(3) is amended by striking
4 “paragraph (7)” and inserting “paragraph (6)”.

5 (7)(A) Section 1250(d) is amended by striking
6 paragraph (5) and redesignating paragraphs (6)
7 through (8) as paragraphs (5) through (7), respec-
8 tively.

9 (B) Section 1250(e)(2) is amended by striking
10 “(3), or (5)” and inserting “or (3)”.

11 (b) AMENDMENT RELATED TO SECTION 1301.—
12 Clause (ii) of section 45(c)(3)(A) is amended by striking
13 “nonhazardous lignin waste material” and inserting
14 “lignin material”.

15 (c) AMENDMENTS RELATED TO SECTION 1303.—

16 (1) Subsection (l) of section 54 is amended by
17 striking paragraph (5), and by redesignating para-
18 graphs (6) and (7) as paragraphs (5) and (6), re-
19 spectively.

20 (2) Subsection (e) of section 1303 of the En-
21 ergy Policy Act of 2005 is amended to read as fol-
22 lows:

23 “(e) EFFECTIVE DATES.—

24 “(1) IN GENERAL.—Except as provided in para-
25 graph (2), the amendments made by this section

1 shall apply to bonds issued after December 31,
2 2005.

3 “(2) SUBSECTION (C).—The amendments made
4 by subsection (c) shall apply to taxable years begin-
5 ning after December 31, 2005.”

6 (d) AMENDMENTS RELATED TO SECTION 1306.—

7 (1) Paragraph (2) of section 45J(c) is amended
8 to read as follows:

9 “(2) PHASEOUT OF CREDIT.—

10 “(A) IN GENERAL.—The amount of the
11 credit determined under subsection (a) shall be
12 reduced by an amount which bears the same
13 ratio to the amount of the credit (determined
14 without regard to this paragraph) as—

15 “(i) the amount by which the ref-
16 erence price (as defined in section
17 45(e)(2)(C)) for the calendar year in which
18 the sale occurs exceeds 8 cents, bears to

19 “(ii) 3 cents.

20 “(B) PHASEOUT ADJUSTMENT BASED ON
21 INFLATION.—The 8 cent amount in subpara-
22 graph (A) shall be adjusted by multiplying such
23 amount by the inflation adjustment factor (as
24 defined in section 45(e)(2)(B)) for the calendar
25 year in which the sale occurs. If any amount as

1 increased under the preceding sentence is not a
2 multiple of 0.1 cent, such amount shall be
3 rounded to the nearest multiple of 0.1 cent.”.

4 (2) Subsection (e) of section 45J is amended by
5 striking “(2),”.

6 (e) AMENDMENT RELATED TO SECTION 1309.—Sub-
7 paragraph (B) of section 169(d)(5) is amended by adding
8 at beginning thereof “in the case of facility placed in serv-
9 ice in connection with a plant or other property placed
10 in operation after December 31, 1975,”.

11 (f) AMENDMENTS RELATED TO SECTION 1311.—

12 (1) Clause (i) of section 172(b)(1)(I) is amend-
13 ed to read as follows:

14 “(i) IN GENERAL.—At the election of
15 the taxpayer for any taxable year ending
16 after December 31, 2005, and before Jan-
17 uary 1, 2009, in the case of a net oper-
18 ating loss for a taxable year ending after
19 December 31, 2002, and before January 1,
20 2006, there shall be a net operating loss
21 carryback to each of the 5 taxable years
22 preceding the taxable year of such loss to
23 the extent that such loss does not exceed
24 20 percent of the sum of the electric trans-
25 mission property capital expenditures and

1 or results in a net operating loss
2 carryback shall be treated as ref-
3 erences to the taxable year for which
4 such election is made.”.

5 (g) AMENDMENT RELATED TO SECTION 1322.—Sub-
6 section (a) of section 45K is amended by striking “if the
7 taxpayer elects to have this section apply,”.

8 (h) AMENDMENT RELATED TO SECTION 1331.—
9 Paragraph (3) of section 1250(b) is amended by striking
10 “or by section 179D”.

11 (i) AMENDMENTS RELATED TO SECTION 1335.—

12 (1) Paragraph (1) of section 25D(b) is amend-
13 ed by inserting “(determined without regard to sub-
14 section (c))” after “subsection (a)”.

15 (2) Subparagraphs (A) and (B) of section
16 25D(e)(4) are amended to read as follows:

17 “(A) MAXIMUM EXPENDITURES.—The
18 maximum amount of expenditures which may
19 be taken into account under subsection (a) by
20 all such individuals with respect to such dwell-
21 ing unit during such calendar year shall be—

22 “(i) \$6,667 in the case of any quali-
23 fied photovoltaic property expenditures,

1 “(ii) \$6,667 in the case of any quali-
2 fied solar water heating property expendi-
3 tures, and

4 “(iii) \$1,667 in the case of each half
5 kilowatt of capacity of qualified fuel cell
6 property (as defined in section 48(c)(1))
7 for which qualified fuel cell property ex-
8 penditures are made.

9 “(B) ALLOCATION OF EXPENDITURES.—

10 The expenditures allocated to any individual for
11 the taxable year in which such calendar year
12 ends shall be an amount equal to the lesser
13 of—

14 “(i) the amount of expenditures made
15 by such individual with respect to such
16 dwelling during such calendar year, or

17 “(ii) the maximum amount of such ex-
18 penditures set forth in subparagraph (A)
19 multiplied by a fraction—

20 “(I) the numerator of which is
21 the amount of such expenditures with
22 respect to such dwelling made by such
23 individual during such calendar year,
24 and

1 “(2) RULE FOR OTHER YEARS.—In the case of
2 a taxable year to which section 26(a)(2) does not
3 apply, if the credit allowable under subsection (a) for
4 any taxable year exceeds the limitation imposed by
5 subsection (b)(4) for such taxable year, such excess
6 shall be carried to the succeeding taxable year and
7 added to the credit allowable under subsection (a)
8 for such taxable year.

9 “(3) LIMITATION.—No credit may be carried
10 forward under this subsection to any taxable year
11 following the fifth taxable year after the taxable year
12 in which the credit arose. For purposes of the pre-
13 ceding sentence, credits shall be treated as used on
14 a first-in first-out basis.”.

15 (B)(i) The matter preceding subparagraph (A)
16 of section 24(b)(3) is amended by striking “The
17 credit” and inserting “In the case of a taxable year
18 to which section 26(a)(2) does not apply, the cred-
19 it”.

20 (ii) Paragraph (1) of section 24(d) is amended
21 to read as follows:

22 “(1) IN GENERAL.—The aggregate credits al-
23 lowed to a taxpayer under subpart C shall be in-
24 creased by the lesser of—

1 “(A) the credit which would be allowed
2 under this section without regard to this sub-
3 section and the limitation under section
4 26(a)(2) or subsection (b)(3), as the case may
5 be, or

6 “(B) the amount by which the aggregate
7 amount of credits allowed by this subpart (de-
8 termined without regard to this subsection)
9 would increase if the limitation imposed by sec-
10 tion 26(a)(2) or subsection (b)(3), as the case
11 may be, were increased by the excess (if any)
12 of—

13 “(i) 15 percent of so much of the tax-
14 payer’s earned income (within the meaning
15 of section 32) which is taken into account
16 in computing taxable income for the tax-
17 able year as exceeds \$10,000, or

18 “(ii) in the case of a taxpayer with 3
19 or more qualifying children, the excess (if
20 any) of—

21 “(I) the taxpayer’s social security
22 taxes for the taxable year, over

23 “(II) the credit allowed under
24 section for the taxable year.

1 The amount of the credit allowed under this sub-
2 section shall not be treated as a credit allowed under
3 this subpart and shall reduce the amount of credit
4 otherwise allowable under subsection (a) without re-
5 gard to section 26(a)(2) or subsection (b)(3), as the
6 case may be. For purposes of subparagraph (B), any
7 amount excluded from gross income by reason of
8 section 112 shall be treated as earned income which
9 is taken into account in computing taxable income
10 for the taxable year.”.

11 (C) Subparagraph (C) of section 25(e)(1) is
12 amended to read as follows:

13 “(C) APPLICABLE TAX LIMIT.—For pur-
14 poses of this paragraph, the term ‘applicable
15 tax limit’ means—

16 “(i) in the case of a taxable year to
17 which section 26(a)(2) applies, the limita-
18 tion imposed by section 26(a)(2) for the
19 taxable year reduced by the sum of the
20 credits allowable under this subpart (other
21 than this section and sections 23, 25D,
22 and 1400C), and

23 “(ii) in the case of a taxable year to
24 which section 26(a)(2) does not apply, the
25 limitation imposed by section 26(a)(1) for

1 the taxable year reduced by the sum of the
2 credits allowable under this subpart (other
3 than this section and sections 23, 24, 25B,
4 25D, and 1400C).”.

5 (D) The matter preceding paragraph (1) of sec-
6 tion 25B(g) is amended by striking “The credit”
7 and inserting “In the case of a taxable year to which
8 section 26(a)(2) does not apply, the credit”.

9 (E) Subsection (c) of section 25D is amended
10 to read as follows:

11 “(c) CARRYFORWARD OF UNUSED CREDIT.—

12 “(1) RULE FOR YEARS IN WHICH ALL PER-
13 SONAL CREDITS ALLOWED AGAINST REGULAR AND
14 ALTERNATIVE MINIMUM TAX.—In the case of a tax-
15 able year to which section 26(a)(2) applies, if the
16 credit allowable under subsection (a) exceeds the
17 limitation imposed by section 26(a)(2) for such tax-
18 able year reduced by the sum of the credits allowable
19 under this subpart (other than this section), such
20 excess shall be carried to the succeeding taxable year
21 and added to the credit allowable under subsection
22 (a) for such succeeding taxable year.

23 “(2) RULE FOR OTHER YEARS.—In the case of
24 a taxable year to which section 26(a)(2) does not
25 apply, if the credit allowable under subsection (a)

1 exceeds the limitation imposed by section 26(a)(1)
2 for such taxable year reduced by the sum of the
3 credits allowable under this subpart (other than this
4 section and sections 23, 24, and 25B), such excess
5 shall be carried to the succeeding taxable year and
6 added to the credit allowable under subsection (a)
7 for such succeeding taxable year.”.

8 (F) Subsection (d) of section 1400C is amended
9 to read as follows:

10 “(d) CARRYFORWARD OF UNUSED CREDIT.—

11 “(1) RULE FOR YEARS IN WHICH ALL PER-
12 SONAL CREDITS ALLOWED AGAINST REGULAR AND
13 ALTERNATIVE MINIMUM TAX.—In the case of a tax-
14 able year to which section 26(a)(2) applies, if the
15 credit allowable under subsection (a) exceeds the
16 limitation imposed by section 26(a)(2) for such tax-
17 able year reduced by the sum of the credits allowable
18 under subpart A of part IV of subchapter A (other
19 than this section and section 25D), such excess shall
20 be carried to the succeeding taxable year and added
21 to the credit allowable under subsection (a) for such
22 taxable year.

23 “(2) RULE FOR OTHER YEARS.—In the case of
24 a taxable year to which section 26(a)(2) does not
25 apply, if the credit allowable under subsection (a)

1 exceeds the limitation imposed by section 26(a)(1)
2 for such taxable year reduced by the sum of the
3 credits allowable under subpart A of part IV of sub-
4 chapter A (other than this section and sections 23,
5 24, 25B, and 25D), such excess shall be carried to
6 the succeeding taxable year and added to the credit
7 allowable under subsection (a) for such taxable
8 year.”.

9 (G) Subsection (i) of section 904 is amended to
10 read as follows:

11 “(i) COORDINATION WITH NONREFUNDABLE PER-
12 SONAL CREDITS.—In the case of any taxable year of an
13 individual to which section 26(a)(2) does not apply, for
14 purposes of subsection (a), the tax against which the cred-
15 it is taken is such tax reduced by the sum of the credits
16 allowable under subpart A of part IV of subchapter A of
17 this chapter (other than sections 23, 24, and 25B).”.

18 (H) APPLICATION OF EGTRRA SUNSET.—The
19 amendments made by this paragraph (and each part
20 thereof) shall be subject to title IX of the Economic
21 Growth and Tax Relief Reconciliation Act of 2001 in
22 the same manner as the provisions of such Act to
23 which such amendment (or part thereof) relates.

24 (4) Subsection (b) of section 1335 of the En-
25 ergy Policy Act of 2005 is amended by striking

1 paragraphs (1), (2), and (3). The Internal Revenue
2 Code of 1986 shall be applied and administered as
3 if the amendments made such paragraphs had never
4 been enacted.

5 (j) AMENDMENT RELATED TO SECTION 1341.—
6 Paragraph (6) of section 30B(h) is amended by adding
7 at the end the following sentence: “For purposes of sub-
8 section (g), property to which this paragraph applies shall
9 be treated as of a character subject to an allowance for
10 depreciation.”.

11 (k) AMENDMENT RELATED TO SECTION 1342.—
12 Paragraph (2) of section 30C(e) is amended by adding at
13 the end the following sentence: “For purposes of sub-
14 section (d), property to which this paragraph applies shall
15 be treated as of a character subject to an allowance for
16 depreciation.”.

17 (l) AMENDMENTS RELATED TO SECTION 1351.—

18 (1) Paragraph (6) of section 41(f) (relating to
19 special rules) is amended by adding at the end the
20 following:

21 “(C) FOREIGN RESEARCH.—For purposes
22 of subsection (a)(3), amounts paid or incurred
23 for any energy research conducted outside the
24 United States, the Commonwealth of Puerto

1 Rico, or any possession of the United States
2 shall not be taken into account.

3 “(D) DENIAL OF DOUBLE BENEFIT.—Any
4 amount taken into account under subsection
5 (a)(3) shall not be taken into account under
6 paragraph (1) or (2) of subsection (a).”.

7 (2) Clause (ii) of section 41(b)(3)(C) is amend-
8 ed by striking “(other than an energy research con-
9 sortium)”.

10 (m) EFFECTIVE DATE.—

11 (1) IN GENERAL.—Except as provided in para-
12 graphs (2) and (3), the amendments made by this
13 section shall take effect as if included in the provi-
14 sions of the Energy Policy Act of 2005 to which
15 they relate.

16 (2) REPEAL OF PUBLIC UTILITY HOLDING COM-
17 PANY ACT OF 1935.—The amendments made by sub-
18 section (a) shall not apply with respect to any trans-
19 action ordered in compliance with the Public Utility
20 Holding Company Act of 1935 before its repeal.

21 (3) COORDINATION OF PERSONAL CREDITS.—
22 The amendments made by subsection (i)(3) shall
23 apply to taxable years beginning after December 31,
24 2005.

1 **SEC. 403. AMENDMENTS RELATED TO THE AMERICAN JOBS**
2 **CREATION ACT OF 2004.**

3 (a) AMENDMENTS RELATED TO SECTION 102 OF
4 THE ACT.—

5 (1) Paragraph (1) of section 199(b) is amended
6 by striking “the employer” and inserting “the tax-
7 payer”.

8 (2) Paragraph (2) of section 199(b) is amended
9 to read as follows:

10 “(2) W-2 WAGES.—For purposes of this sec-
11 tion, the term ‘W-2 wages’ means, with respect to
12 any person for any taxable year of such person, the
13 sum of the amounts described in paragraphs (3) and
14 (8) of section 6051(a) paid by such person with re-
15 spect to employment of employees by such person
16 during the calendar year ending during such taxable
17 year. Such term shall not include any amount which
18 is not properly included in a return filed with the
19 Social Security Administration on or before the 60th
20 day after the due date (including extensions) for
21 such return.”.

22 (3) Subparagraph (B) of section 199(e)(1) is
23 amended by inserting “and” at the end of clause (i),
24 by striking clauses (ii) and (iii), and by inserting
25 after clause (i) the following:

1 “(ii) other expenses, losses, or deduc-
2 tions (other than the deduction allowed
3 under this section), which are properly al-
4 locable to such receipts.”.

5 (4) Paragraph (2) of section 199(c) is amended
6 to read as follows:

7 “(2) ALLOCATION METHOD.—The Secretary
8 shall prescribe rules for the proper allocation of
9 items described in paragraph (1) for purposes of de-
10 termining qualified production activities income.
11 Such rules shall provide for the proper allocation of
12 items whether or not such items are directly allo-
13 cable to domestic production gross receipts.”.

14 (5) Subparagraph (A) of section 199(c)(4) is
15 amended by striking clauses (ii) and (iii) and insert-
16 ing the following new clauses:

17 “(ii) in the case of a taxpayer engaged
18 in the active conduct of a construction
19 trade or business, construction of real
20 property performed in the United States
21 by the taxpayer in the ordinary course of
22 such trade or business, or

23 “(iii) in the case of a taxpayer en-
24 gaged in the active conduct of an engineer-
25 ing or architectural services trade or busi-

1 ness, engineering or architectural services
2 performed in the United States by the tax-
3 payer in the ordinary course of such trade
4 or business with respect to the construc-
5 tion of real property in the United
6 States.”.

7 (6) Subparagraph (B) of section 199(c)(4) is
8 amended by striking “and” at the end of clause (i),
9 by striking the period at the end of clause (ii) and
10 inserting “, or”, and by adding at the end the fol-
11 lowing:

12 “(iii) the lease, rental, license, sale,
13 exchange, or other disposition of land.”.

14 (7) Paragraph (4) of section 199(c) is amended
15 by adding at the end the following new subpara-
16 graphs:

17 “(C) SPECIAL RULE FOR CERTAIN GOV-
18 ERNMENT CONTRACTS.—Gross receipts derived
19 from the manufacture or production of any
20 property described in subparagraph (A)(i)(I)
21 shall be treated as meeting the requirements of
22 subparagraph (A)(i) if—

23 “(i) such property is manufactured or
24 produced by the taxpayer pursuant to a
25 contract with the Federal Government, and

1 “(ii) the Federal Acquisition Regula-
2 tion requires that title or risk of loss with
3 respect to such property be transferred to
4 the Federal Government before the manu-
5 facture or production of such property is
6 complete.

7 “(D) PARTNERSHIPS OWNED BY EX-
8 PANDED AFFILIATED GROUPS.—For purposes
9 of this paragraph, if all of the interests in the
10 capital and profits of a partnership are owned
11 by members of a single expanded affiliated
12 group at all times during the taxable year of
13 such partnership, the partnership and all mem-
14 bers of such group shall be treated as a single
15 taxpayer during such period.”.

16 (8) Paragraph (1) of section 199(d) is amended
17 to read as follows:

18 “(1) APPLICATION OF SECTION TO PASS-THRU
19 ENTITIES.—

20 “(A) PARTNERSHIPS AND S CORPORA-
21 TIONS.—In the case of a partnership or S
22 corporation—

23 “(i) this section shall be applied at the
24 partner or shareholder level,

1 “(ii) each partner or shareholder shall
2 take into account such person’s allocable
3 share of each item described in subpara-
4 graph (A) or (B) of subsection (c)(1) (de-
5 termined without regard to whether the
6 items described in such subparagraph (A)
7 exceed the items described in such sub-
8 paragraph (B)), and

9 “(iii) each partner or shareholder
10 shall be treated for purposes of subsection
11 (b) as having W-2 wages for the taxable
12 year in an amount equal to the lesser of—

13 “(I) such person’s allocable share
14 of the W-2 wages of the partnership
15 or S corporation for the taxable year
16 (as determined under regulations pre-
17 scribed by the Secretary), or

18 “(II) 2 times 9 percent of so
19 much of such person’s qualified pro-
20 duction activities income as is attrib-
21 utable to items allocated under clause
22 (ii) for the taxable year.

23 “(B) TRUSTS AND ESTATES.—In the case
24 of a trust or estate—

1 “(i) the items referred to in subpara-
2 graph (A)(ii) (as determined therein) and
3 the W-2 wages of the trust or estate for
4 the taxable year, shall be apportioned be-
5 tween the beneficiaries and the fiduciary
6 (and among the beneficiaries) under regu-
7 lations prescribed by the Secretary, and

8 “(ii) for purposes of paragraph (2),
9 adjusted gross income of the trust or es-
10 tate shall be determined as provided in sec-
11 tion 67(e) with the adjustments described
12 in such paragraph.

13 “(C) REGULATIONS.—The Secretary may
14 prescribe rules requiring or restricting the allo-
15 cation of items and wages under this paragraph
16 and may prescribe such reporting requirements
17 as the Secretary determines appropriate.”.

18 (9) Paragraph (3) of section 199(d) is amended
19 to read as follows:

20 “(3) AGRICULTURAL AND HORTICULTURAL CO-
21 OPERATIVES.—

22 “(A) DEDUCTION ALLOWED TO PA-
23 TRONS.—Any person who receives a qualified
24 payment from a specified agricultural or horti-
25 cultural cooperative shall be allowed for the tax-

1 able year in which such payment is received a
2 deduction under subsection (a) equal to the por-
3 tion of the deduction allowed under subsection
4 (a) to such cooperative which is—

5 “(i) allowed with respect to the por-
6 tion of the qualified production activities
7 income to which such payment is attrib-
8 utable, and

9 “(ii) identified by such cooperative in
10 a written notice mailed to such person dur-
11 ing the payment period described in section
12 1382(d).

13 “(B) COOPERATIVE DENIED DEDUCTION
14 FOR PORTION OF QUALIFIED PAYMENTS.—The
15 taxable income of a specified agricultural or
16 horticultural cooperative shall not be reduced
17 under section 1382 by reason of that portion of
18 any qualified payment as does not exceed the
19 deduction allowable under subparagraph (A)
20 with respect to such payment.

21 “(C) TAXABLE INCOME OF COOPERATIVES
22 DETERMINED WITHOUT REGARD TO CERTAIN
23 DEDUCTIONS.—For purposes of this section,
24 the taxable income of a specified agricultural or
25 horticultural cooperative shall be computed

1 without regard to any deduction allowable
2 under subsection (b) or (c) of section 1382 (re-
3 lating to patronage dividends, per-unit retain
4 allocations, and nonpatronage distributions).

5 “(D) SPECIAL RULE FOR MARKETING CO-
6 OPERATIVES.—For purposes of this section, a
7 specified agricultural or horticultural coopera-
8 tive described in subparagraph (F)(ii) shall be
9 treated as having manufactured, produced,
10 grown, or extracted in whole or significant part
11 any qualifying production property marketed by
12 the organization which its patrons have so man-
13 ufactured, produced, grown, or extracted.

14 “(E) QUALIFIED PAYMENT.—For purposes
15 of this paragraph, the term ‘qualified payment’
16 means, with respect to any person, any amount
17 which—

18 “(i) is described in paragraph (1) or
19 (3) of section 1385(a),

20 “(ii) is received by such person from
21 a specified agricultural or horticultural co-
22 operative, and

23 “(iii) is attributable to qualified pro-
24 duction activities income with respect to

1 which a deduction is allowed to such coop-
2 erative under subsection (a).

3 “(F) SPECIFIED AGRICULTURAL OR HORTI-
4 CULTURAL COOPERATIVE.—For purposes of
5 this paragraph, the term ‘specified agricultural
6 or horticultural cooperative’ means an organiza-
7 tion to which part I of subchapter T applies
8 which is engaged—

9 “(i) in the manufacturing, production,
10 growth, or extraction in whole or signifi-
11 cant part of any agricultural or horti-
12 cultural product, or

13 “(ii) in the marketing of agricultural
14 or horticultural products.”.

15 (10) Clause (i) of section 199(d)(4)(B) is
16 amended—

17 (A) by striking “50 percent” and inserting
18 “more than 50 percent”, and

19 (B) by striking “80 percent” and inserting
20 “at least 80 percent”.

21 (11)(A) Paragraph (6) of section 199(d) is
22 amended to read as follows:

23 “(6) COORDINATION WITH MINIMUM TAX.—For
24 purposes of determining alternative minimum tax-
25 able income under section 55—

1 “(A) qualified production activities income
2 shall be determined without regard to any ad-
3 justments under sections 56 through 59, and

4 “(B) in the case of a corporation, sub-
5 section (a)(1)(B) shall be applied by sub-
6 stituting ‘alternative minimum taxable income’
7 for ‘taxable income.’”.

8 (B) Paragraph (2) of section 199(a) is amended
9 by striking “subsections (d)(1) and (d)(6)” and in-
10 serting “subsection (d)(1)”.

11 (12) Subsection (d) of section 199 is amended
12 by redesignating paragraph (7) as paragraph (8)
13 and by inserting after paragraph (6) the following
14 new paragraph:

15 “(7) UNRELATED BUSINESS TAXABLE IN-
16 COME.—For purposes of determining the tax im-
17 posed by section 511, subsection (a)(1)(B) shall be
18 applied by substituting ‘unrelated business taxable
19 income’ for ‘taxable income.’”.

20 (13) Paragraph (8) of section 199(d), as reded-
21 ignated by paragraph (12), is amended by inserting
22 “, including regulations which prevent more than 1
23 taxpayer from being allowed a deduction under this
24 section with respect to any activity described in sub-
25 section (c)(4)(A)(i)” before the period at the end.

1 (14) Clauses (i)(II) and (ii)(II) of section
2 56(d)(1)(A) are each amended by striking “such de-
3 duction” and inserting “such deduction and the de-
4 duction under section 199”.

5 (15) Clause (i) of section 163(j)(6)(A) is
6 amended by striking “and” at the end of subclause
7 (II), by redesignating subclause (III) as subclause
8 (IV), and by inserting after subclause (II) the fol-
9 lowing new subclause:

10 “(III) any deduction allowable
11 under section 199, and”.

12 (16) Paragraph (2) of section 170(b) is amend-
13 ed by redesignating subparagraphs (C) and (D) as
14 subparagraphs (D) and (E), respectively, and by in-
15 serting after subparagraph (B) the following new
16 subparagraph:

17 “(C) section 199,”.

18 (17) Subsection (d) of section 172 is amended
19 by adding at the end the following new paragraph:

20 “(7) MANUFACTURING DEDUCTION.—The de-
21 duction under section 199 shall not be allowed.”.

22 (18) Paragraph (1) of section 613A(d) is
23 amended by redesignating subparagraphs (B), (C),
24 and (D) as subparagraphs (C), (D), and (E), respec-

1 tively, and by inserting after subparagraph (A) the
2 following new subparagraph:

3 “(B) any deduction allowable under section
4 199,”.

5 (19) Subsection (e) of section 102 of the Amer-
6 ican Jobs Creation Act of 2004 is amended to read
7 as follows:

8 “(e) EFFECTIVE DATE.—

9 “(1) IN GENERAL.—The amendments made by
10 this section shall apply to taxable years beginning
11 after December 31, 2004.

12 “(2) APPLICATION TO PASS-THRU ENTITIES,
13 ETC.—In determining the deduction under section
14 199 of the Internal Revenue Code of 1986 (as added
15 by this section), items arising from a taxable year of
16 a partnership, S corporation, estate, or trust begin-
17 ning before January 1, 2005, shall not be taken into
18 account for purposes of subsection (d)(1) of such
19 section.”.

20 (b) AMENDMENT RELATED TO SECTION 231 OF THE
21 ACT.—Paragraph (1) of section 1361(c) is amended to
22 read as follows:

23 “(1) MEMBERS OF A FAMILY TREATED AS 1
24 SHAREHOLDER.—

1 “(A) IN GENERAL.—For purposes of sub-
2 section (b)(1)(A), there shall be treated as one
3 shareholder—

4 “(i) a husband and wife (and their es-
5 tates), and

6 “(ii) all members of a family (and
7 their estates).

8 “(B) MEMBERS OF A FAMILY.—For pur-
9 poses of this paragraph—

10 “(i) IN GENERAL.—The term ‘mem-
11 bers of a family’ means a common ances-
12 tor, any lineal descendant of such common
13 ancestor, and any spouse or former spouse
14 of such common ancestor or any such lin-
15 eal descendant.

16 “(ii) COMMON ANCESTOR.—An indi-
17 vidual shall not be considered to be a com-
18 mon ancestor if, on the applicable date, the
19 individual is more than 6 generations re-
20 moved from the youngest generation of
21 shareholders who would (but for this sub-
22 paragraph) be members of the family. For
23 purposes of the preceding sentence, a
24 spouse (or former spouse) shall be treated
25 as being of the same generation as the in-

1 dividual to whom such spouse is (or was)
2 married.

3 “(iii) APPLICABLE DATE.—The term
4 ‘applicable date’ means the latest of—

5 “(I) the date the election under
6 section 1362(a) is made,

7 “(II) the earliest date that an in-
8 dividual described in clause (i) holds
9 stock in the S corporation, or

10 “(III) October 22, 2004.

11 “(C) EFFECT OF ADOPTION, ETC.—Any le-
12 gally adopted child of an individual, any child
13 who is lawfully placed with an individual for
14 legal adoption by the individual, and any eligi-
15 ble foster child of an individual (within the
16 meaning of section 152(f)(1)(C)), shall be treat-
17 ed as a child of such individual by blood.”.

18 (c) AMENDMENT RELATED TO SECTION 235 OF THE
19 ACT.—Subsection (b) of section 235 of the American Jobs
20 Creation Act of 2004 is amended by striking “taxable
21 years beginning” and inserting “transfers”.

22 (d) AMENDMENTS RELATED TO SECTION 243 OF
23 THE ACT.—

24 (1) Paragraph (7) of section 856(e) is amended
25 to read as follows:

1 quarter is due to reasonable cause and not
2 due to willful neglect, and

3 “(iii)(I) the corporation, trust, or as-
4 sociation disposes of the assets set forth on
5 the schedule specified in clause (i) within
6 6 months after the last day of the quarter
7 in which the corporation, trust or associa-
8 tion’s identification of the failure to satisfy
9 the requirements of such paragraph oc-
10 curred or such other time period prescribed
11 by the Secretary and in the manner pre-
12 scribed by the Secretary, or

13 “(II) the requirements of such para-
14 graph are otherwise met within the time
15 period specified in subclause (I).

16 “(B) RULE FOR CERTAIN DE MINIMIS
17 FAILURES.—A corporation, trust, or association
18 that fails to meet the requirements of para-
19 graph (4)(B)(iii) for a particular quarter shall
20 nevertheless be considered to have satisfied the
21 requirements of such paragraph for such quar-
22 ter if—

23 “(i) such failure is due to the owner-
24 ship of assets the total value of which does
25 not exceed the lesser of—

1 “(I) 1 percent of the total value
2 of the trust’s assets at the end of the
3 quarter for which such measurement
4 is done, and

5 “(II) \$10,000,000, and

6 “(ii)(I) the corporation, trust, or asso-
7 ciation, following the identification of such
8 failure, disposes of assets in order to meet
9 the requirements of such paragraph within
10 6 months after the last day of the quarter
11 in which the corporation, trust or associa-
12 tion’s identification of the failure to satisfy
13 the requirements of such paragraph oc-
14 curred or such other time period prescribed
15 by the Secretary and in the manner pre-
16 scribed by the Secretary, or

17 “(II) the requirements of such para-
18 graph are otherwise met within the time
19 period specified in subclause (I).

20 “(C) TAX.—

21 “(i) TAX IMPOSED.—If subparagraph
22 (A) applies to a corporation, trust, or asso-
23 ciation for any taxable year, there is here-
24 by imposed on such corporation, trust, or

1 association a tax in an amount equal to
2 the greater of—

3 “(I) \$50,000, or
4 “(II) the amount determined
5 (pursuant to regulations promulgated
6 by the Secretary) by multiplying the
7 net income generated by the assets
8 described in the schedule specified in
9 subparagraph (A)(i) for the period
10 specified in clause (ii) by the highest
11 rate of tax specified in section 11.

12 “(ii) PERIOD.—For purposes of clause
13 (i)(II), the period described in this clause
14 is the period beginning on the first date
15 that the failure to satisfy the requirements
16 of such paragraph (4) occurs as a result of
17 the ownership of such assets and ending on
18 the earlier of the date on which the trust
19 disposes of such assets or the end of the
20 first quarter when there is no longer a fail-
21 ure to satisfy such paragraph (4).

22 “(iii) ADMINISTRATIVE PROVISIONS.—
23 For purposes of subtitle F, the taxes im-
24 posed by this subparagraph shall be treat-
25 ed as excise taxes with respect to which the

1 deficiency procedures of such subtitle
2 apply.”.

3 (2) Subsection (m) of section 856 is amended
4 by adding at the end the following new paragraph:

5 “(6) TRANSITION RULE.—

6 “(A) IN GENERAL.—Notwithstanding para-
7 graph (2)(C), securities held by a trust shall
8 not be considered securities held by the trust
9 for purposes of subsection (c)(4)(B)(iii)(III)
10 during any period beginning on or before Octo-
11 ber 22, 2004, if such securities—

12 “(i) are held by such trust continu-
13 ously during such period, and

14 “(ii) would not be taken into account
15 for purposes of such subsection by reason
16 of paragraph (7)(C) of subsection (c) (as
17 in effect on October 22, 2004) if the
18 amendments made by section 243 of the
19 American Jobs Creation Act of 2004 had
20 never been enacted.

21 “(B) RULE NOT TO APPLY TO SECURITIES
22 HELD AFTER MATURITY DATE.—Subparagraph
23 (A) shall not apply with respect to any security
24 after the later of October 22, 2004, or the lat-
25 est maturity date under the contract (as in ef-

1 fect on October 22, 2004) taking into account
2 any renewal or extension permitted under the
3 contract if such renewal or extension does not
4 significantly modify any other terms of the con-
5 tract.

6 “(C) SUCCESSORS.—If the successor of a
7 trust to which this paragraph applies acquires
8 securities in a transaction to which section 381
9 applies, such trusts shall be treated as a single
10 entity for purposes of determining the holding
11 period of such securities under subparagraph
12 (A).”.

13 (3) Subparagraph (E) of section 857(b)(2) is
14 amended by striking “section 856(c)(7)(B)(iii), and
15 section 856(g)(1).” and inserting “section
16 856(c)(7)(C), and section 856(g)(5)”.

17 (4) Subsection (g) of section 243 of the Amer-
18 ican Jobs Creation Act of 2004 is amended to read
19 as follows:

20 “(g) EFFECTIVE DATES.—

21 “(1) SUBSECTIONS (a) AND (b).—The amend-
22 ments made by subsections (a) and (b) shall apply
23 to taxable years beginning after December 31, 2000.

24 “(2) SUBSECTIONS (c) AND (e).—The amend-
25 ments made by subsections (c) and (e) shall apply

1 to taxable years beginning after the date of the en-
2 actment of this Act.

3 “(3) SUBSECTION (d).—The amendment made
4 by subsection (d) shall apply to transactions entered
5 into after December 31, 2004.

6 “(4) SUBSECTION (f).—

7 “(A) The amendment made by paragraph
8 (1) of subsection (f) shall apply to failures with
9 respect to which the requirements of subpara-
10 graph (A) or (B) of section 856(c)(7) of the In-
11 ternal Revenue Code of 1986 (as added by such
12 paragraph) are satisfied after the date of the
13 enactment of this Act.

14 “(B) The amendment made by paragraph
15 (2) of subsection (f) shall apply to failures with
16 respect to which the requirements of paragraph
17 (6) of section 856(c) of the Internal Revenue
18 Code of 1986 (as amended by such paragraph)
19 are satisfied after the date of the enactment of
20 this Act.

21 “(C) The amendments made by paragraph
22 (3) of subsection (f) shall apply to failures with
23 respect to which the requirements of paragraph
24 (5) of section 856(g) of the Internal Revenue
25 Code of 1986 (as added by such paragraph) are

1 satisfied after the date of the enactment of this
2 Act.

3 “(D) The amendment made by paragraph
4 (4) of subsection (f) shall apply to taxable years
5 ending after the date of the enactment of this
6 Act.

7 “(E) The amendments made by paragraph
8 (5) of subsection (f) shall apply to statements
9 filed after the date of the enactment of this
10 Act.”.

11 (e) AMENDMENTS RELATED TO SECTION 244 OF
12 THE ACT.—

13 (1) Paragraph (2) of section 181(d) is amended
14 by striking the last sentence in subparagraph (A), by
15 redesignating subparagraph (B) as subparagraph
16 (C), and by inserting after subparagraph (A) the fol-
17 lowing new subparagraph:

18 “(B) SPECIAL RULES FOR TELEVISION SE-
19 RIES.—In the case of a television series—

20 “(i) each episode of such series shall
21 be treated as a separate production, and

22 “(ii) only the first 44 episodes of such
23 series shall be taken into account.”.

24 (2) Subparagraph (C) of section 1245(a)(2) is
25 amended by inserting “181,” after “179B,”.

1 (f) AMENDMENTS RELATED TO SECTION 245 OF THE
2 ACT.—

3 (1) Subsection (b) of section 45G is amended to
4 read as follows:

5 “(b) LIMITATION.—

6 “(1) IN GENERAL.—The credit allowed under
7 subsection (a) for any taxable year shall not exceed
8 the product of—

9 “(A) \$3,500, multiplied by

10 “(B) the sum of—

11 “(i) the number of miles of railroad
12 track owned or leased by the eligible tax-
13 payer as of the close of the taxable year,
14 and

15 “(ii) the number of miles of railroad
16 track assigned for purposes of this sub-
17 section to the eligible taxpayer by a Class
18 II or Class III railroad which owns or
19 leases such railroad track as of the close of
20 the taxable year.

21 “(2) ASSIGNMENTS.—With respect to any as-
22 signment of a mile of railroad track under para-
23 graph (1)(B)(ii)—

24 “(A) such assignment may be made only
25 once per taxable year of the Class II or Class

1 III railroad and shall be treated as made as of
2 the close of such taxable year,

3 “(B) such mile may not be taken into ac-
4 count under this section by such railroad for
5 such taxable year, and

6 “(C) such assignment shall be taken into
7 account for the taxable year of the assignee
8 which includes the date that such assignment is
9 treated as effective.”.

10 (2) Paragraph (2) of section 45G(c) is amended
11 to read as follows:

12 “(2) any person who transports property using
13 the rail facilities of a Class II or Class III railroad
14 or who furnishes railroad-related property or services
15 to a Class II or Class III railroad, but only with re-
16 spect to miles of railroad track assigned to such per-
17 son by such Class II or Class III railroad for pur-
18 poses of subsection (b).”.

19 (g) AMENDMENTS RELATED TO SECTION 248 OF
20 THE ACT.—

21 (1)(A) Subsection (d) of section 1353 is amend-
22 ed by striking “ownership and charter interests” and
23 inserting “ownership, charter, and operating agree-
24 ment interests”.

1 (B) Subsection (a) of section 1355 is amended
2 by striking paragraph (8).

3 (C) Paragraph (1) of section 1355(b) is amend-
4 ed to read as follows:

5 “(1) IN GENERAL.—Except as provided in para-
6 graph (2), a person is treated as operating any ves-
7 sel during any period if—

8 “(A)(i) such vessel is owned by, or char-
9 tered (including a time charter) to, the person,
10 or

11 “(ii) the person provides services for such
12 vessel pursuant to an operating agreement, and

13 “(B) such vessel is in use as a qualifying
14 vessel during such period.”.

15 (D) Paragraph (3) of section 1355(d) is amend-
16 ed to read as follows:

17 “(3) the extent of a partner’s ownership, char-
18 ter, or operating agreement interest in any vessel op-
19 erated by the partnership shall be determined on the
20 basis of the partner’s interest in the partnership.”.

21 (2) Paragraph (3) of section 1355(c) is amend-
22 ed by striking “determined—” and all that follows
23 and inserting “determined by treating all members
24 of such group as 1 person.”

1 (3) Subsection (c) of section 1356 is
2 amended—

3 (A) by striking paragraph (3), and

4 (B) by adding at the end of paragraph (2)
5 the following new flush sentence:

6 “Such term shall not include any core qualifying ac-
7 tivities.”.

8 (4) The last sentence of section 1354(b) is
9 amended by inserting “on or” after “only if made”.

10 (h) AMENDMENT RELATED TO SECTION 314 OF THE
11 ACT.—Paragraph (2) of section 55(c) is amended by strik-
12 ing “regular tax” and inserting “regular tax liability”.

13 (i) AMENDMENTS RELATED TO SECTION 322 OF THE
14 ACT.—

15 (1)(A) Subparagraph (B) of section 194(b)(1)
16 is amended to read as follows:

17 “(B) DOLLAR LIMITATION.—The aggre-
18 gate amount of reforestation expenditures which
19 may be taken into account under subparagraph
20 (A) with respect to each qualified timber prop-
21 erty for any taxable year shall not exceed—

22 “(i) except as provided in clause (ii)
23 or (iii), \$10,000,

1 (2) Clause (iii) of section 168(k)(4)(B) is
2 amended by striking “and paragraph (2)(C)” and
3 inserting “or paragraph (2)(C) (as so modified)”.

4 (k) AMENDMENT RELATED TO SECTION 402 OF THE
5 ACT.—Paragraph (2) of section 904(g) is amended to read
6 as follows:

7 “(2) OVERALL DOMESTIC LOSS.—For purposes
8 of this subsection—

9 “(A) IN GENERAL.—The term ‘overall do-
10 mestic loss’ means—

11 “(i) with respect to any qualified tax-
12 able year, the domestic loss for such tax-
13 able year to the extent such loss offsets
14 taxable income from sources without the
15 United States for the taxable year or for
16 any preceding qualified taxable year by
17 reason of a carryback, and

18 “(ii) with respect to any other taxable
19 year, the domestic loss for such taxable
20 year to the extent such loss offsets taxable
21 income from sources without the United
22 States for any preceding qualified taxable
23 year by reason of a carryback.

24 “(B) DOMESTIC LOSS.—For purposes of
25 subparagraph (A), the term ‘domestic loss’

1 means the amount by which the gross income
2 for the taxable year from sources within the
3 United States is exceeded by the sum of the de-
4 ductions properly apportioned or allocated
5 thereto (determined without regard to any
6 carryback from a subsequent taxable year).

7 “(C) QUALIFIED TAXABLE YEAR.—For
8 purposes of subparagraph (A), the term ‘quali-
9 fied taxable year’ means any taxable year for
10 which the taxpayer chose the benefits of this
11 subpart.”.

12 (I) AMENDMENT RELATED TO SECTION 403 OF THE
13 ACT.—Section 403 of the American Jobs Creation Act of
14 2004 is amended by adding at the end the following new
15 subsection:

16 “(d) TRANSITION RULE.—If the taxpayer elects (at
17 such time and in such form and manner as the Secretary
18 of the Treasury may prescribe) to have the rules of this
19 subsection apply—

20 “(1) the amendments made by this section shall
21 not apply to taxable years beginning after December
22 31, 2002, and before January 1, 2005, and

23 “(2) in the case of taxable years beginning after
24 December 31, 2004, clause (iv) of section
25 904(d)(4)(C) of the Internal Revenue Code of 1986

1 (as amended by this section) shall be applied by sub-
2 stituting ‘January 1, 2005’ for ‘January 1, 2003’
3 both places it appears.”.

4 (m) AMENDMENT RELATED TO SECTION 412 OF THE
5 ACT.—Subparagraph (B) of section 954(c)(4) is amended
6 by adding at the end the following: “If a controlled foreign
7 corporation is treated as owning a capital or profits inter-
8 est in a partnership under constructive ownership rules
9 similar to the rules of section 958(b), the controlled for-
10 eign corporation shall be treated as owning such interest
11 directly for purposes of this subparagraph.”.

12 (n) AMENDMENTS RELATED TO SECTION 413 OF
13 THE ACT.—

14 (1) Subsection (b) of section 532 is amended by
15 striking paragraph (2) and redesignating paragraphs
16 (3) and (4) as paragraphs (2) and (3), respectively.

17 (2) Subsection (b) of section 535 is amended by
18 adding at the end the following new paragraph:

19 “(10) CONTROLLED FOREIGN CORPORA-
20 TIONS.—There shall be allowed as a deduction the
21 amount of the corporation’s income for the taxable
22 year which is included in the gross income of a
23 United States shareholder under section 951(a). In
24 the case of any corporation the accumulated taxable
25 income of which would (but for this sentence) be de-

1 terminated without allowance of any deductions, the
2 deduction under this paragraph shall be allowed and
3 shall be appropriately adjusted to take into account
4 any deductions which reduced such inclusion.”.

5 (3)(A) Section 6683 is repealed.

6 (B) The table of sections for part I of sub-
7 chapter B of chapter 68 is amended by striking the
8 item relating to section 6683.

9 (o) AMENDMENT RELATED TO SECTION 415 OF THE
10 ACT.—Subparagraph (D) of section 904(d)(2) is amended
11 by inserting “as in effect before its repeal” after “section
12 954(f)”.

13 (p) AMENDMENTS RELATED TO SECTION 418 OF
14 THE ACT.—

15 (1) The second sentence of section 897(h)(1) is
16 amended—

17 (A) by striking “any distribution” and all
18 that follows through “any class of stock” and
19 inserting “any distribution by a real estate in-
20 vestment trust with respect to any class of
21 stock”, and

22 (B) by striking “the taxable year” and in-
23 serting “the 1-year period ending on the date of
24 the distribution”.

1 (2) Subsection (c) of section 418 of the Amer-
2 ican Jobs Creation Act of 2004 is amended to read
3 as follows:

4 “(c) EFFECTIVE DATE.—The amendments made by
5 this section shall apply to—

6 “(1) any distribution by a real estate invest-
7 ment trust which is treated as a deduction for a tax-
8 able year of such trust beginning after the date of
9 the enactment of this Act, and

10 “(2) any distribution by a real estate invest-
11 ment trust made after such date which is treated as
12 a deduction under section 860 for a taxable year of
13 such trust beginning on or before such date.”.

14 (q) AMENDMENTS RELATED TO SECTION 422 OF
15 THE ACT.—

16 (1) Subparagraph (B) of section 965(a)(2) is
17 amended by inserting “from another controlled for-
18 eign corporation in such chain of ownership” before
19 “, but only to the extent”.

20 (2) Subparagraph (A) of section 965(b)(2) is
21 amended by inserting “cash” before “dividends”.

22 (3) Paragraph (3) of section 965(b) is amended
23 by adding at the end the following: “The Secretary
24 may prescribe such regulations as may be necessary
25 or appropriate to prevent the avoidance of the pur-

1 poses of this paragraph, including regulations which
2 provide that cash dividends shall not be taken into
3 account under subsection (a) to the extent such divi-
4 dends are attributable to the direct or indirect trans-
5 fer (including through the use of intervening entities
6 or capital contributions) of cash or other property
7 from a related person (as so defined) to a controlled
8 foreign corporation.”.

9 (4) Paragraph (1) of section 965(c) is amended
10 to read as follows:

11 “(1) APPLICABLE FINANCIAL STATEMENT.—

12 The term ‘applicable financial statement’ means—

13 “(A) with respect to a United States
14 shareholder which is required to file a financial
15 statement with the Securities and Exchange
16 Commission (or which is included in such a
17 statement so filed by another person), the most
18 recent audited annual financial statement (in-
19 cluding the notes which form an integral part
20 of such statement) of such shareholder (or
21 which includes such shareholder)—

22 “(i) which was so filed on or before
23 June 30, 2003, and

24 “(ii) which was certified on or before
25 June 30, 2003, as being prepared in ac-

1 cordance with generally accepted account-
2 ing principles, and

3 “(B) with respect to any other United
4 States shareholder, the most recent audited fi-
5 nancial statement (including the notes which
6 form an integral part of such statement) of
7 such shareholder (or which includes such share-
8 holder)—

9 “(i) which was certified on or before
10 June 30, 2003, as being prepared in ac-
11 cordance with generally accepted account-
12 ing principles, and

13 “(ii) which is used for the purposes of
14 a statement or report—

15 “(I) to creditors,

16 “(II) to shareholders, or

17 “(III) for any other substantial
18 nontax purpose.”.

19 (5) Paragraph (2) of section 965(d) is amended
20 by striking “properly allocated and apportioned” and
21 inserting “directly allocable”.

22 (6) Subsection (d) of section 965 is amended by
23 adding at the end the following new paragraph:

24 “(4) COORDINATION WITH SECTION 78.—Sec-
25 tion 78 shall not apply to any tax which is not allow-

1 able as a credit under section 901 by reason of this
2 subsection.”.

3 (7) The last sentence of section 965(e)(1) is
4 amended by inserting “which are imposed by foreign
5 countries and possessions of the United States and
6 are” after “taxes”.

7 (8) Subsection (f) of section 965 is amended by
8 inserting “on or” before “before the due date”.

9 (r) AMENDMENTS RELATED TO SECTION 501 OF
10 THE ACT.—

11 (1) Subparagraph (A) of section 164(b)(5) is
12 amended to read as follows:

13 “(A) ELECTION TO DEDUCT STATE AND
14 LOCAL SALES TAXES IN LIEU OF STATE AND
15 LOCAL INCOME TAXES.—At the election of the
16 taxpayer for the taxable year, subsection (a)
17 shall be applied—

18 “(i) without regard to the reference to
19 State and local income taxes, and

20 “(ii) as if State and local general sales
21 taxes were referred to in a paragraph
22 thereof.”.

23 (2) Clause (ii) of section 56(b)(1)(A) is amend-
24 ed by inserting “or clause (ii) of section
25 164(b)(5)(A)” before the period at the end.

1 (s) AMENDMENTS RELATED TO SECTION 708 OF
2 THE ACT.—Section 708 of the American Jobs Creation
3 Act of 2004 is amended—

4 (1) in subsection (a), by striking “contract com-
5 mencement date” and inserting “construction com-
6 mencement date”, and

7 (2) by redesignating subsection (d) as sub-
8 section (e) and inserting after subsection (e) the fol-
9 lowing new subsection:

10 “(d) CERTAIN ADJUSTMENTS NOT TO APPLY.—Sec-
11 tion 481 of the Internal Revenue Code of 1986 shall not
12 apply with respect to any change in the method of ac-
13 counting which is required by this section.”.

14 (t) AMENDMENT RELATED TO SECTION 710 OF THE
15 ACT.—Clause (i) of section 45(c)(7)(A) is amended by
16 striking “synthetic”.

17 (u) AMENDMENT RELATED TO SECTION 801 OF THE
18 ACT.—Paragraph (3) of section 7874(a) is amended to
19 read as follows:

20 “(3) COORDINATION WITH SUBSECTION (b).—A
21 corporation which is treated as a domestic corpora-
22 tion under subsection (b) shall not be treated as a
23 surrogate foreign corporation for purposes of para-
24 graph (2)(A).”.

1 (v) AMENDMENTS RELATED TO SECTION 804 OF
2 THE ACT.—

3 (1) Subparagraph (C) of section 877(g)(2) is
4 amended by striking “section 7701(b)(3)(D)(ii)” and
5 inserting “section 7701(b)(3)(D)”.

6 (2) Subsection (n) of section 7701 is amended
7 to read as follows:

8 “(n) SPECIAL RULES FOR DETERMINING WHEN AN
9 INDIVIDUAL IS NO LONGER A UNITED STATES CITIZEN
10 OR LONG-TERM RESIDENT.—For purposes of this
11 chapter—

12 “(1) UNITED STATES CITIZENS.—An individual
13 who would (but for this paragraph) cease to be
14 treated as a citizen of the United States shall con-
15 tinue to be treated as a citizen of the United States
16 until such individual—

17 “(A) gives notice of an expatriating act
18 (with the requisite intent to relinquish citizen-
19 ship) to the Secretary of State, and

20 “(B) provides a statement in accordance
21 with section 6039G (if such a statement is oth-
22 erwise required).

23 “(2) LONG-TERM RESIDENTS.—A long-term
24 resident (as defined in section 877(e)(2)) who would
25 (but for this paragraph) be described in section

1 877(e)(1) shall be treated as a lawful permanent
2 resident of the United States and as not described
3 in section 877(e)(1) until such individual—

4 “(A) gives notice of termination of resi-
5 dency (with the requisite intent to terminate
6 residency) to the Secretary of Homeland Secu-
7 rity, and

8 “(B) provides a statement in accordance
9 with section 6039G (if such a statement is oth-
10 erwise required).”.

11 (w) AMENDMENT RELATED TO SECTION 811 OF THE
12 ACT.—Subsection (c) of section 811 of the American Jobs
13 Creation Act of 2004 is amended by inserting “and which
14 were not filed before such date” before the period at the
15 end.

16 (x) AMENDMENTS RELATED TO SECTION 812 OF
17 THE ACT.—

18 (1) Subsection (b) of section 6662 is amended
19 by adding at the end the following new sentence:
20 “Except as provided in paragraph (1) or (2)(B) of
21 section 6662A(e), this section shall not apply to the
22 portion of any underpayment which is attributable to
23 a reportable transaction understatement on which a
24 penalty is imposed under section 6662A.”

1 (2) Paragraph (2) of section 6662A(e) is
2 amended to read as follows:

3 “(2) COORDINATION WITH OTHER PEN-
4 ALTIES.—

5 “(A) COORDINATION WITH FRAUD PEN-
6 ALTY.—This section shall not apply to any por-
7 tion of an understatement on which a penalty
8 is imposed under section 6663.

9 “(B) COORDINATION WITH GROSS VALU-
10 ATION MISSTATEMENT PENALTY.—This section
11 shall not apply to any portion of an understatement
12 on which a penalty is imposed under section
13 6662 if the rate of the penalty is deter-
14 mined under section 6662(h).”.

15 (3) Subsection (f) of section 812 of the Amer-
16 ican Jobs Creation Act of 2004 is amended to read
17 as follows:

18 “(f) EFFECTIVE DATES.—

19 “(1) IN GENERAL.—Except as provided in para-
20 graph (2), the amendments made by this section
21 shall apply to taxable years ending after the date of
22 the enactment of this Act.

23 “(2) DISQUALIFIED OPINIONS.—Section
24 6664(d)(3)(B) of the Internal Revenue Code of 1986

1 (as added by subsection (c)) shall not apply to the
2 opinion of a tax advisor if—

3 “(A) the opinion was provided to the tax-
4 payer before the date of the enactment of this
5 Act,

6 “(B) the opinion relates to one or more
7 transactions all of which were entered into be-
8 fore such date, and

9 “(C) the tax treatment of items relating to
10 each such transaction was included on a return
11 or statement filed by the taxpayer before such
12 date.”.

13 (y) AMENDMENT RELATED TO SECTION 814 OF THE
14 ACT.—Subparagraph (B) of section 6501(c)(10) is
15 amended by striking “(as defined in section 6111)”.

16 (z) AMENDMENT RELATED TO SECTION 815 OF THE
17 ACT.—Paragraph (1) of section 6112(b) is amended by
18 inserting “(or was required to maintain a list under sub-
19 section (a) as in effect before the enactment of the Amer-
20 ican Jobs Creation Act of 2004)” after “a list under sub-
21 section (a)”.

22 (aa) AMENDMENTS RELATED TO SECTION 832 OF
23 THE ACT.—

24 (1) Subsection (e) of section 853 is amended to
25 read as follows:

1 “(e) TREATMENT OF CERTAIN TAXES NOT AL-
2 LOWED AS A CREDIT UNDER SECTION 901.—This section
3 shall not apply to any tax with respect to which the regu-
4 lated investment company is not allowed a credit under
5 section 901 by reason of subsection (k) or (l) of such sec-
6 tion.”.

7 (2) Clause (i) of section 901(l)(2)(C) is amend-
8 ed by striking “if such security were stock”.

9 (bb) AMENDMENTS RELATED TO SECTION 833 OF
10 THE ACT.—

11 (1) Subsection (a) of section 734 is amended by
12 inserting “with respect to such distribution” before
13 the period at the end.

14 (2) So much of subsection (b) of section 734 as
15 precedes paragraph (1) is amended to read as fol-
16 lows:

17 “(b) METHOD OF ADJUSTMENT.—In the case of a
18 distribution of property to a partner by a partnership with
19 respect to which the election provided in section 754 is
20 in effect or with respect to which there is a substantial
21 basis reduction, the partnership shall—”.

22 (cc) AMENDMENT RELATED TO SECTION 835 OF THE
23 ACT.—Paragraph (3) of section 860G(a) is amended—

1 (1) in subparagraph (A)(iii)(I), by striking “the
2 obligation” and inserting “a reverse mortgage loan
3 or other obligation”, and

4 (2) by striking all that follows subparagraph
5 (C) and inserting the following:

6 “For purposes of subparagraph (A), any obligation
7 secured by stock held by a person as a tenant-stock-
8 holder (as defined in section 216) in a cooperative
9 housing corporation (as so defined) shall be treated
10 as secured by an interest in real property. For pur-
11 poses of subparagraph (A), any obligation originated
12 by the United States or any State (or any political
13 subdivision, agency, or instrumentality of the United
14 States or any State) shall be treated as principally
15 secured by an interest in real property if more than
16 50 percent of such obligations which are transferred
17 to, or purchased by, the REMIC are principally se-
18 cured by an interest in real property (determined
19 without regard to this sentence).”.

20 (dd) AMENDMENTS RELATED TO SECTION 836 OF
21 THE ACT.—

22 (1) Paragraph (1) of section 334(b) is amended
23 by striking “except that” and all that follows and in-
24 serting “except that, in the hands of such
25 distributee—

1 “(A) the basis of such property shall be
2 the fair market value of the property at the
3 time of the distribution in any case in which
4 gain or loss is recognized by the liquidating cor-
5 poration with respect to such property, and

6 “(B) the basis of any property described in
7 section 362(e)(1)(B) shall be the fair market
8 value of the property at the time of the dis-
9 tribution in any case in which such distributee’s
10 aggregate adjusted basis of such property would
11 (but for this subparagraph) exceed the fair
12 market value of such property immediately
13 after such liquidation.”.

14 (2) Clause (ii) of section 362(e)(2)(C) is
15 amended to read as follows:

16 “(ii) ELECTION.—Any election under
17 clause (i) shall be made at such time and
18 in such form and manner as the Secretary
19 may prescribe, and, once made, shall be ir-
20 revocable.”.

21 (ee) AMENDMENT RELATED TO SECTION 840 OF THE
22 ACT.—Subsection (d) of section 121 is amended—

23 (1) by redesignating the paragraph (10) relat-
24 ing to property acquired from a decedent as para-

1 graph (11) and by moving such paragraph to the
2 end of such subsection, and

3 (2) by amending the paragraph (10) relating to
4 property acquired in like-kind exchange to read as
5 follows:

6 “(10) PROPERTY ACQUIRED IN LIKE-KIND EX-
7 CHANGE.—If a taxpayer acquires property in an ex-
8 change with respect to which gain is not recognized
9 (in whole or in part) to the taxpayer under sub-
10 section (a) or (b) of section 1031, subsection (a)
11 shall not apply to the sale or exchange of such prop-
12 erty by such taxpayer (or by any person whose basis
13 in such property is determined, in whole or in part,
14 by reference to the basis in the hands of such tax-
15 payer) during the 5-year period beginning with the
16 date of such acquisition.”.

17 (ff) AMENDMENT RELATED TO SECTION 849 OF THE
18 ACT.—Subsection (a) of section 849 of the American Jobs
19 Creation Act of 2004 is amended by inserting “, and in
20 the case of property treated as tax-exempt use property
21 other than by reason of a lease, to property acquired after
22 March 12, 2004” before the period at the end.

23 (gg) AMENDMENT RELATED TO SECTION 884 OF
24 THE ACT.—Subparagraph (B) of section 170(f)(12) is
25 amended by adding at the end the following new clauses:

1 “(v) Whether the donee organization
2 provided any goods or services in consider-
3 ation, in whole or in part, for the qualified
4 vehicle.

5 “(vi) A description and good faith es-
6 timate of the value of any goods or services
7 referred to in clause (v) or, if such goods
8 or services consist solely of intangible reli-
9 gious benefits (as defined in paragraph
10 (8)(B)), a statement to that effect.”.

11 (hh) AMENDMENTS RELATED TO SECTION 885 OF
12 THE ACT.—

13 (1) Paragraph (2) of section 26(b) is amended
14 by striking “and” at the end of subparagraph (R),
15 by striking the period at the end of subparagraph
16 (S) and inserting “, and”, and by adding at the end
17 the following new subparagraph:

18 “(T) subsections (a)(1)(B)(i) and
19 (b)(4)(A) of section 409A (relating to interest
20 and additional tax with respect to certain de-
21 ferred compensation).”.

22 (2) Clause (ii) of section 409A(a)(4)(C) is
23 amended by striking “first”.

24 (3)(A) Notwithstanding section 885(d)(1) of the
25 American Jobs Creation Act of 2004, subsection (b)

1 of section 409A of the Internal Revenue Code of
2 1986 shall take effect on January 1, 2005.

3 (B) Not later than 90 days after the date of the
4 enactment of this Act, the Secretary of the Treasury
5 shall issue guidance under which a nonqualified de-
6 ferred compensation plan which is in violation of the
7 requirements of section 409A(b) of such Code shall
8 be treated as not having violated such requirements
9 if such plan comes into conformance with such re-
10 quirements during such limited period as the Sec-
11 retary may specify in such guidance.

12 (4) Subsection (f) of section 885 of the Amer-
13 ican Jobs Creation Act of 2004 is amended by strik-
14 ing “December 31, 2004” the first place it appears
15 and inserting “January 1, 2005”.

16 (ii) AMENDMENT RELATED TO SECTION 888 OF THE
17 ACT.—Paragraph (2) of section 1092(a) is amended by
18 striking the last sentence and adding at the end the fol-
19 lowing new subparagraph:

20 “(C) REGULATIONS.—The Secretary shall
21 prescribe such regulations or other guidance as
22 may be necessary or appropriate to carry out
23 the purposes of this paragraph. Such regula-
24 tions or other guidance may specify the proper
25 methods for clearly identifying a straddle as an

1 identified straddle (and for identifying the posi-
2 tions comprising such straddle), the rules for
3 the application of this section to a taxpayer
4 which fails to comply with those identification
5 requirements, and the ordering rules in cases
6 where a taxpayer disposes (or otherwise ceases
7 to be the holder) of any part of any position
8 which is part of an identified straddle.”.

9 (jj) AMENDMENTS RELATED TO SECTION 898 OF
10 THE ACT.—

11 (1) Paragraph (3) of section 361(b) is amended
12 by inserting “(reduced by the amount of the liabil-
13 ities assumed (within the meaning of section
14 357(c)))” before the period at the end.

15 (2) Paragraph (1) of section 357(d) is amended
16 by inserting “section 361(b)(3),” after “section
17 358(h),”.

18 (kk) AMENDMENT RELATED TO SECTION 899 OF
19 THE ACT.—Subparagraph (A) of section 351(g)(3) is
20 amended by adding at the end the following: “If there is
21 not a real and meaningful likelihood that dividends beyond
22 any limitation or preference will actually be paid, the pos-
23 sibility of such payments will be disregarded in deter-
24 mining whether stock is limited and preferred as to divi-
25 dends.”.

1 (ll) AMENDMENT RELATED TO SECTION 902 OF THE
2 ACT.—Paragraph (1) of section 709(b) is amended by
3 striking “taxpayer” both places it appears and inserting
4 “partnership”.

5 (mm) AMENDMENTS RELATED TO SECTION 907 OF
6 THE ACT.—Clause (ii) of section 274(e)(2)(B) is
7 amended—

8 (1) in subclause (I), by inserting “or a related
9 party to the taxpayer” after “the taxpayer”,

10 (2) in subclause (II), by inserting “(or such re-
11 lated party)” after “the taxpayer”, and

12 (3) by adding at the end the following new
13 flush sentence:

14 “For purposes of this clause, a person is a
15 related party with respect to another per-
16 son if such person bears a relationship to
17 such other person described in section
18 267(b) or 707(b).”.

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

1 **SEC. 404. AMENDMENTS RELATED TO THE WORKING FAMI-**
2 **LIES TAX RELIEF ACT OF 2004.**

3 (a) AMENDMENT RELATED TO SECTION 201 OF THE
4 ACT.—Subsection (e) of section 152 is amended to read
5 as follows:

6 “(e) SPECIAL RULE FOR DIVORCED PARENTS,
7 ETC.—

8 “(1) IN GENERAL.—Notwithstanding subsection
9 (c)(1)(B), (c)(4), or (d)(1)(C), if—

10 “(A) a child receives over one-half of the
11 child’s support during the calendar year from
12 the child’s parents—

13 “(i) who are divorced or legally sepa-
14 rated under a decree of divorce or separate
15 maintenance,

16 “(ii) who are separated under a writ-
17 ten separation agreement, or

18 “(iii) who live apart at all times dur-
19 ing the last 6 months of the calendar year,
20 and—

21 “(B) such child is in the custody of 1 or
22 both of the child’s parents for more than one-
23 half of the calendar year, such child shall be
24 treated as being the qualifying child or quali-
25 fying relative of the noncustodial parent for a

1 calendar year if the requirements described in
2 paragraph (2) or (3) are met.

3 “(2) EXCEPTION WHERE CUSTODIAL PARENT
4 RELEASES CLAIM TO EXEMPTION FOR THE YEAR.—
5 For purposes of paragraph (1), the requirements de-
6 scribed in this paragraph are met with respect to
7 any calendar year if—

8 “(A) the custodial parent signs a written
9 declaration (in such manner and form as the
10 Secretary may by regulations prescribe) that
11 such custodial parent will not claim such child
12 as a dependent for any taxable year beginning
13 in such calendar year, and

14 “(B) the noncustodial parent attaches such
15 written declaration to the noncustodial parent’s
16 return for the taxable year beginning during
17 such calendar year.

18 “(3) EXCEPTION FOR CERTAIN PRE-1985 IN-
19 STRUMENTS.—

20 “(A) IN GENERAL .—For purposes of
21 paragraph (1), the requirements described in
22 this paragraph are met with respect to any cal-
23 endar year if—

24 “(i) a qualified pre-1985 instrument
25 between the parents applicable to the tax-

1 able year beginning in such calendar year
2 provides that the noncustodial parent shall
3 be entitled to any deduction allowable
4 under section 151 for such child, and

5 “(ii) the noncustodial parent provides
6 at least \$600 for the support of such child
7 during such calendar year.

8 For purposes of this subparagraph, amounts ex-
9 pended for the support of a child or children
10 shall be treated as received from the noncusto-
11 dial parent to the extent that such parent pro-
12 vided amounts for such support.

13 “(B) QUALIFIED PRE-1985 INSTRUMENT.—
14 For purposes of this paragraph, the term
15 ‘qualified pre-1985 instrument’ means any de-
16 cree of divorce or separate maintenance or writ-
17 ten agreement—

18 “(i) which is executed before January
19 1, 1985,

20 “(ii) which on such date contains the
21 provision described in subparagraph (A)(i),
22 and

23 “(iii) which is not modified on or after
24 such date in a modification which expressly

1 provides that this paragraph shall not
2 apply to such decree or agreement.

3 “(4) CUSTODIAL PARENT AND NONCUSTODIAL
4 PARENT.—For purposes of this subsection—

5 “(A) CUSTODIAL PARENT.—The term ‘cus-
6 todial parent’ means the parent having custody
7 for the greater portion of the calendar year.

8 “(B) NONCUSTODIAL PARENT.—The term
9 ‘noncustodial parent’ means the parent who is
10 not the custodial parent.

11 “(5) EXCEPTION FOR MULTIPLE-SUPPORT
12 AGREEMENT.—This subsection shall not apply in
13 any case where over one-half of the support of the
14 child is treated as having been received from a tax-
15 payer under the provision of subsection (d)(3).

16 “(6) SPECIAL RULE FOR SUPPORT RECEIVED
17 FROM NEW SPOUSE OF PARENT.—For purposes of
18 this subsection, in the case of the remarriage of a
19 parent, support of a child received from the parent’s
20 spouse shall be treated as received from the par-
21 ent.”.

22 (b) AMENDMENT RELATED TO SECTION 203 OF THE
23 ACT.—Subparagraph (B) of section 21(b)(1) is amended
24 by inserting “(as defined in section 152, determined with-

1 out regard to subsections (b)(1), (b)(2), and (d)(1)(B))”
2 after “dependent of the taxpayer”.

3 (c) AMENDMENT RELATED TO SECTION 207 OF THE
4 ACT.—Subparagraph (A) of section 223(d)(2) is amended
5 by inserting “, determined without regard to subsections
6 (b)(1), (b)(2), and (d)(1)(B) thereof” after “section 152”.

7 (d) EFFECTIVE DATE.—The amendments made by
8 this section shall take effect as if included in the provisions
9 of the Working Families Tax Relief Act of 2004 to which
10 they relate.

11 **SEC. 405. AMENDMENTS RELATED TO THE JOBS AND**
12 **GROWTH TAX RELIEF RECONCILIATION ACT**
13 **OF 2003.**

14 (a) AMENDMENTS RELATED TO SECTION 201 OF
15 THE ACT.—

16 (1) Clause (ii) of section 168(k)(4)(B) is
17 amended to read as follows:

18 “(ii) which is—

19 “(I) acquired by the taxpayer
20 after May 5, 2003, and before Janu-
21 ary 1, 2005, but only if no written
22 binding contract for the acquisition
23 was in effect before May 6, 2003, or

24 “(II) acquired by the taxpayer
25 pursuant to a written binding contract

1 which was entered into after May 5,
2 2003, and before January 1, 2005,
3 and”.

4 (2) Subparagraph (D) of section 1400L(b)(2) is
5 amended by striking “September 11, 2004” and in-
6 serting “January 1, 2005”.

7 (b) EFFECTIVE DATE.—The amendments made by
8 this section shall take effect as if included in section 201
9 of the Jobs and Growth Tax Relief and Reconciliation Act
10 of 2003.

11 **SEC. 406. AMENDMENT RELATED TO THE VICTIMS OF TER-**
12 **RORISM TAX RELIEF ACT OF 2001.**

13 (a) AMENDMENT RELATED TO SECTION 201 OF THE
14 ACT.—Paragraph (17) of section 6103(l) is amended by
15 striking “subsection (f), (i)(7), or (p)” and inserting “sub-
16 section (f), (i)(8), or (p)”.

17 (b) EFFECTIVE DATE.—The amendment made by
18 this section shall take effect as if included in section 201
19 of the Victims of Terrorism Tax Relief Act of 2001.

20 **SEC. 407. AMENDMENTS RELATED TO THE ECONOMIC**
21 **GROWTH AND TAX RELIEF RECONCILIATION**
22 **ACT OF 2001.**

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

1 (1) Clause (ii) of section 402(g)(7)(A) is
2 amended to read as follows:

3 “(ii) \$15,000 reduced by the sum of—

4 “(I) the amounts not included in
5 gross income for prior taxable years
6 by reason of this paragraph, plus

7 “(II) the aggregate amount of
8 designated Roth contributions (as de-
9 fined in section 402A(c)) for prior
10 taxable years, or”.

11 (2) Subparagraph (A) of section 402(g)(1) is
12 amended by inserting “to” after “shall not apply”.

13 (b) AMENDMENT RELATED TO SECTION 632 OF THE
14 ACT.—Subparagraph (C) of section 415(c)(7) is amended
15 by striking “the greater of \$3,000” and all that follows
16 and inserting “\$3,000. This subparagraph shall not apply
17 with respect to any taxable year to any individual whose
18 adjusted gross income for such taxable year (determined
19 separately and without regard to community property
20 laws) exceeds \$17,000.”.

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

1 **SEC. 408. AMENDMENTS RELATED TO THE INTERNAL REV-**
2 **ENUE SERVICE RESTRUCTURING AND RE-**
3 **FORM ACT OF 1998.**

4 (a) AMENDMENTS RELATED TO SECTION 3415 OF
5 THE ACT.—

6 (1) Paragraph (2) of section 7609(c) is amend-
7 ed by inserting “or” at the end of subparagraph
8 (D), by striking “; or” at the end of subparagraph
9 (E) and inserting a period, and by striking subpara-
10 graph (F).

11 (2) Subsection (c) of section 7609 is amended
12 by redesignating paragraph (3) as paragraph (4)
13 and by inserting after paragraph (2) the following
14 new paragraph:

15 “(3) JOHN DOE AND CERTAIN OTHER SUM-
16 MONSES.—Subsection (a) shall not apply to any
17 summons described in subsection (f) or (g).”.

18 (b) EFFECTIVE DATE.—The amendments made by
19 this section shall take effect as if included in section 3415
20 of the Internal Revenue Service Restructuring and Reform
21 Act of 1998.

22 **SEC. 409. AMENDMENTS RELATED TO THE TAXPAYER RE-**
23 **LIEF ACT OF 1997.**

24 (a) AMENDMENTS RELATED TO SECTION 1055 OF
25 THE ACT.—

1 (1) The last sentence of section 6411(a) is
2 amended by striking “6611(f)(3)(B)” and inserting
3 “6611(f)(4)(B)”.

4 (2) Paragraph (4) of section 6601(d) is amend-
5 ed by striking “6611(f)(3)(A)” and inserting
6 “6611(f)(4)(A)”.

7 (b) AMENDMENT RELATED TO SECTION 1112 OF
8 THE ACT.—Subsection (c) of section 961 is amended to
9 read as follows:

10 “(c) BASIS ADJUSTMENTS IN STOCK HELD BY FOR-
11 EIGN CORPORATIONS.—Under regulations prescribed by
12 the Secretary, if a United States shareholder is treated
13 under section 958(a)(2) as owning stock in a controlled
14 foreign corporation which is owned by another controlled
15 foreign corporation, then adjustments similar to the ad-
16 justments provided by subsections (a) and (b) shall be
17 made to—

18 “(1) the basis of such stock, and

19 “(2) the basis of stock in any other controlled
20 foreign corporation by reason of which the United
21 States shareholder is considered under section
22 958(a)(2) as owning the stock described in para-
23 graph (1),

24 but only for the purposes of determining the amount in-
25 cluded under section 951 in the gross income of such

1 United States shareholder (or any other United States
2 shareholder who acquires from any person any portion of
3 the interest of such United States shareholder by reason
4 of which such shareholder was treated as owning such
5 stock, but only to the extent of such portion, and subject
6 to such proof of identity of such interest as the Secretary
7 may prescribe by regulations). The preceding sentence
8 shall not apply with respect to any stock to which a basis
9 adjustment applies under subsection (a) or (b).”.

10 (c) AMENDMENT RELATED TO SECTION 1144 OF
11 THE ACT.—Subparagraph (B) of section 6038B(a)(1) is
12 amended by inserting “or” at the end.

13 (d) EFFECTIVE DATE.—The amendments made by
14 this section shall take effect as if included in the provisions
15 of the Taxpayer Relief Act of 1997 to which they relate.

16 **SEC. 410. AMENDMENT RELATED TO THE OMNIBUS BUDG-**
17 **ET RECONCILIATION ACT OF 1990.**

18 (a) AMENDMENT RELATED TO SECTION 11813 OF
19 THE ACT.—Subclause (I) of section 168(e)(3)(B)(vi) is
20 amended by striking “if ‘solar and wind’ were substituted
21 for ‘solar’ in clause (i) thereof” and inserting “if ‘solar
22 or wind energy’ were substituted for ‘solar energy’ in
23 clause (i) thereof”.

1 (b) EFFECTIVE DATE.—The amendment made by
2 this section shall take effect as if included in section
3 11813 of the Omnibus Budget Reconciliation Act of 1990.

4 **SEC. 411. AMENDMENT RELATED TO THE OMNIBUS BUDG-**
5 **ET RECONCILIATION ACT OF 1987.**

6 (a) AMENDMENT RELATED TO SECTION 10227 OF
7 THE ACT.—Section 1363(d) is amended by adding at the
8 end the following new paragraph:

9 “(5) SPECIAL RULE.—Sections 1367(a)(2)(D)
10 and 1371(c)(1) shall not apply with respect to any
11 increase in the tax imposed by reason of this sub-
12 section.”.

13 (b) EFFECTIVE DATE.—The amendment made by
14 this section shall take effect as if included in section
15 10227 of the Omnibus Budget Reconciliation Act of 1987.

16 **SEC. 412. CLERICAL CORRECTIONS.**

17 (a) Subparagraph (C) of section 2(b)(2) is amended
18 by striking “subparagraph (C)” and inserting “subpara-
19 graph (B)”.

20 (b) Paragraph (2) of section 25C(b) is amended by
21 striking “subsection (c)(3)(B)” and inserting “subsection
22 (c)(2)(B)”.

23 (c) Subparagraph (E) of section 26(b)(2) is amended
24 by striking “section 530(d)(3)” and inserting “section
25 530(d)(4)”.

1 (d) Subparagraph (A) of section 30B(g)(2) and sub-
2 paragraph (A) of section 30C(d)(2) are each amended by
3 striking “regular tax” and inserting “regular tax liability
4 (as defined in section 26(b))”.

5 (e) The table of sections for subpart B of part IV
6 of subchapter A of chapter 1 is amended by striking the
7 item relating to section 30C and inserting the following
8 new item:

“Sec. 30C. Alternative fuel vehicle refueling property credit.”.

9 (f)(1) Subclause (II) of section 38(c)(2)(A)(ii) is
10 amended by striking “or the New York Liberty Zone busi-
11 ness employee credit or the specified credits” and inserting
12 “, the New York Liberty Zone business employee credit,
13 and the specified credits”.

14 (2) Subclause (II) of section 38(c)(3)(A)(ii) is
15 amended by striking “or the specified credits” and insert-
16 ing “and the specified credits”.

17 (3) Subparagraph (B) of section 38(c)(4) is
18 amended—

19 (A) by striking “includes” and inserting
20 “means”, and

21 (B) by inserting “and” at the end of clause (i).

22 (g)(1) Subparagraph (A) of section 39(a)(1) is
23 amended by striking “each of the 1 taxable years” and
24 inserting “the taxable year”.

1 (2) Subparagraph (B) of section 39(a)(3) is amended
2 to read as follows:

3 “(B) paragraph (1) shall be applied by
4 substituting ‘each of the 5 taxable years’ for
5 ‘the taxable year’ in subparagraph (A) thereof,
6 and”.

7 (h) Subparagraph (B) of section 40A(b)(5) is amend-
8 ed by striking “(determined without regard to the last sen-
9 tence of subsection (d)(2))”.

10 (i) Paragraph (5) of section 43(c) is amended to read
11 as follows:

12 “(5) ALASKA NATURAL GAS.—For purposes of
13 paragraph (1)(D)—

14 “(A) IN GENERAL.—The term ‘Alaska nat-
15 ural gas’ means natural gas entering the Alaska
16 natural gas pipeline (as defined in section
17 168(i)(16) (determined without regard to sub-
18 paragraph (B) thereof)) which is produced from
19 a well—

20 “(i) located in the area of the State of
21 Alaska lying north of 64 degrees North
22 latitude, determined by excluding the area
23 of the Alaska National Wildlife Refuge (in-
24 cluding the continental shelf thereof within
25 the meaning of section 638(1)), and

1 “(ii) pursuant to the applicable State
2 and Federal pollution prevention, control,
3 and permit requirements from such area
4 (including the continental shelf thereof
5 within the meaning of section 638(1)).

6 “(B) NATURAL GAS.—The term ‘natural
7 gas’ has the meaning given such term by sec-
8 tion 613A(e)(2).”.

9 (j) Subsection (d) of section 45 is amended—

10 (1) in paragraph (8) by striking “The term”
11 and inserting “In the case of a facility that produces
12 refined coal, the term”, and

13 (2) in paragraph (10) by striking “The term”
14 and inserting “In the case of a facility that produces
15 Indian coal, the term”.

16 (k) Paragraph (2) of section 45I(a) is amended by
17 striking “qualified credit oil production” and inserting
18 “qualified crude oil production”.

19 (l) Subsection (g) of section 45K, as redesignated by
20 section 1322 of the Energy Policy Act of 2005, is
21 amended—

22 (1) in the matter preceding paragraph (1), by
23 striking “subsection (f)” and inserting “subsection
24 (e)”, and

1 (2) in paragraph (2)(C), by striking “subsection
2 (g)” and inserting “subsection (f)”.

3 (m) Paragraph (1) of section 48(a), as amended by
4 section 1336 of the Energy Policy Act of 2005, is amended
5 by striking “paragraph (1)(B) or (2)(B) of subsection (d)”
6 and inserting “paragraphs (1)(B) and (2)(B) of sub-
7 section (c)”.

8 (n) Subparagraph (A) of section 48(a)(3) is
9 amended—

10 (1) by redesignating clause (iii) (relating to
11 qualified fuel cell property or qualified microturbine
12 property), as added by section 1336 of the Energy
13 Policy Act of 2005, as clause (iv) and by moving
14 such clause to the end of such subparagraph, and

15 (2) by striking “or” at the end of clause (ii).

16 (o) Subparagraph (E) of section 50(a)(2) is amended
17 by striking “section 48(a)(5)” and inserting “section
18 48(b)”.

19 (p)(1) Paragraph (3) of section 55(c) is amended by
20 inserting “30B(g)(2), 30C(d)(2),” after “30(b)(3),”.

21 (2) Section 1341(b)(3) of the Energy Policy Act of
22 2005 is repealed.

23 (3) Section 1342(b)(3) of the Energy Policy Act of
24 2005 is repealed.

25 (q)(1) Subsection (a) of section 62 is amended—

1 (A) by redesignating paragraph (19) (relating
2 to costs involving discrimination suits, etc.), as
3 added by section 703 of the American Jobs Creation
4 Act of 2004, as paragraph (20), and

5 (B) by moving such paragraph after paragraph
6 (19) (relating to health savings accounts).

7 (2) Subsection (e) of section 62 is amended by strik-
8 ing “subsection (a)(19)” and inserting “subsection
9 (a)(20)”.

10 (r) Paragraph (3) of section 167(f) is amended by
11 striking “section 197(e)(7)” and inserting “section
12 197(e)(6)”.

13 (s) Subparagraph (D) of section 168(i)(15) is amend-
14 ed by striking “This paragraph shall not apply to” and
15 inserting “Such term shall not include”.

16 (t) Paragraph (2) of section 221(d) is amended by
17 striking “this Act” and inserting “the Taxpayer Relief Act
18 of 1997”.

19 (u) Paragraph (8) of section 318(b) is amended by
20 striking “section 6038(d)(2)” and inserting “section
21 6038(e)(2)”.

22 (v) Subparagraph (B) of section 332(d)(1) is amend-
23 ed by striking “distribution to which section 301 applies”
24 and inserting “distribution of property to which section
25 301 applies”.

1 (w) Subparagraph (B) of section 403(b)(9) is amend-
2 ed by inserting “or” before “a convention”.

3 (x)(1) Clause (i) of section 412(m)(4)(B) is amended
4 by striking “subsection (c)” and inserting “subsection
5 (d)”.

6 (2) Clause (i) of section 302(e)(4)(B) of the Em-
7 ployee Retirement Income Security Act of 1974 is amend-
8 ed by striking “subsection (c)” and inserting “subsection
9 (d)”.

10 (y) Paragraph (1) of section 415(l) is amended by
11 striking “individual medical account” and inserting “indi-
12 vidual medical benefit account”.

13 (z) The matter following clause (iv) of section
14 415(n)(3)(C) is amended by striking “clauses” and insert-
15 ing “clause”.

16 (aa) Subparagraph (C) of section 461(i)(3) is amend-
17 ed by striking “section 6662(d)(2)(C)(iii)” and inserting
18 “section 6662(d)(2)(C)(ii)”.

19 (bb) Paragraph (12) of section 501(c) is amended—

20 (1) by striking “subparagraph (C)(iii)” in sub-
21 paragraph (F) and inserting “subparagraph
22 (C)(iv)”, and

23 (2) by striking “subparagraph (C)(iv)” in sub-
24 paragraph (G) and inserting “subparagraph (C)(v)”.

1 (cc) Clause (ii) of section 501(c)(22)(B) is amended
2 by striking “clause (ii) of paragraph (21)(B)” and insert-
3 ing “clause (ii) of paragraph (21)(D)”.

4 (dd) Paragraph (1) of section 512(b) is amended by
5 striking “section 512(a)(5)” and inserting “subsection
6 (a)(5)”.

7 (ee)(1) Subsection (b) of section 512 is amended—

8 (A) by redesignating paragraph (18) (relating
9 to the treatment of gain or loss on sale or exchange
10 of certain brownfield sites), as added by section 702
11 of the American Jobs Creation Act of 2004, as para-
12 graph (19), and

13 (B) by moving such paragraph to the end of
14 such subsection.

15 (2) Subparagraph (E) of section 514(b)(1) is amend-
16 ed by striking “section 512(b)(18)” and inserting “section
17 512(b)(19)”.

18 (3) Paragraph (6) of section 529(c) is amended by
19 striking “education individual retirement account” and in-
20 serting “Coverdell education savings account”.

21 (ff)(1) Subsection (b) of section 530 is amended by
22 striking paragraph (3) and by redesignating paragraphs
23 (4) and (5) as paragraphs (3) and (4), respectively.

24 (2) Clause (ii) of section 530(b)(2)(A) is amended by
25 striking “paragraph (4)” and inserting “paragraph (3)”.

1 (gg) Subparagraph (H) of section 613(c)(4) is
2 amended by inserting “(including in situ retorting)” after
3 “and retorting”.

4 (hh) Subparagraph (A) of section 856(g)(5) is
5 amended by striking “subsection (c)(6) or (c)(7) of section
6 856” and inserting “paragraph (2), (3), or (4) of sub-
7 section (c)”.

8 (ii) Paragraph (6) of section 857(b) is amended—

9 (1) in subparagraph (E), by striking “subpara-
10 graph (C)” and inserting “subparagraphs (C) and
11 (D)”, and

12 (2) in subparagraph (F)—

13 (A) by striking “subparagraph (C) of this
14 paragraph” and inserting “subparagraph (C) or
15 (D)”, and

16 (B) by striking “subparagraphs (C) and
17 (D)” and inserting “subparagraphs (C), (D),
18 and (E)”.

19 (jj) Subparagraph (C) of section 881(e)(1) is amend-
20 ed by inserting “interest-related dividend received by a
21 controlled foreign corporation” after “shall apply to any”.

22 (kk) Clause (ii) of section 952(c)(1)(B) is amended—

23 (1) by striking “clause (iii)(III) or (IV)” and
24 inserting “subclause (II) or (III) of clause (iii)”, and

1 (2) by striking “clause (iii)(II)” and inserting
2 “clause (iii)(I)”.

3 (ll) Clause (i) of section 954(c)(1)(C) is amended by
4 striking “paragraph (4)(A)” and inserting “paragraph
5 (5)(A)”.

6 (mm) Subparagraph (F) of section 954(c)(1) is
7 amended by striking “Net income from notional principal
8 contracts.” after “Income from notional principal con-
9 tracts.—”.

10 (nn) Paragraph (23) of section 1016(a) is amended
11 by striking “1045(b)(4)” and inserting “1045(b)(3)”.

12 (oo) Paragraph (1) of section 1256(f) is amended by
13 striking “subsection (e)(2)(C)” and inserting “subsection
14 (e)(2)”.

15 (pp) The matter preceding clause (i) of section
16 1031(h)(2)(B) is amended by striking “subparagraph”
17 and inserting “subparagraphs”.

18 (qq) Paragraphs (1) and (2) of section 1375(d) are
19 each amended by striking “subchapter C” and inserting
20 “accumulated”.

21 (rr) Each of the following provisions are amended by
22 striking “General Accounting Office” each place it ap-
23 pears therein and inserting “Government Accountability
24 Office”:

25 (1) Clause (ii) of section 1400E(c)(4)(A).

1 (2) Paragraph (1) of section 6050M(b).

2 (3) Subparagraphs (A), (B)(i), and (B)(ii) of
3 section 6103(i)(8).

4 (4) Paragraphs (3)(C)(i), (4), (5), and (6)(B)
5 of section 6103(p).

6 (5) Subsection (e) of section 8021.

7 (ss)(1) Clause (ii) of section 1400L(b)(2)(C) is
8 amended by striking “section 168(k)(2)(C)(i)” and insert-
9 ing “section 168(k)(2)(D)(i)”.

10 (2) Clause (iv) of section 1400L(b)(2)(C) is amended
11 by striking “section 168(k)(2)(C)(iii)” and inserting “sec-
12 tion 168(k)(2)(D)(iii)”.

13 (3) Subparagraph (D) of section 1400L(b)(2) is
14 amended by striking “section 168(k)(2)(D)” and inserting
15 “section 168(k)(2)(E)”.

16 (4) Subparagraph (E) of section 1400L(b)(2) is
17 amended by striking “section 168(k)(2)(F)” and inserting
18 “section 168(k)(2)(G)”.

19 (5) Paragraph (5) of section 1400L(c) is amended
20 by striking “section 168(k)(2)(C)(iii)” and inserting “sec-
21 tion 168(k)(2)(D)(iii)”.

22 (tt) Section 3401 is amended by redesignating sub-
23 section (h) as subsection (g).

24 (uu) Paragraph (2) of section 4161(a) is amended to
25 read as follows:

1 “(2) 3 PERCENT RATE OF TAX FOR ELECTRIC
2 OUTBOARD MOTORS.—In the case of an electric out-
3 board motor, paragraph (1) shall be applied by sub-
4 stituting ‘3 percent’ for ‘10 percent’.”.

5 (vv) Subparagraph (C) of section 4261(e)(4) is
6 amended by striking “imposed subsection (b)” and insert-
7 ing “imposed by subsection (b)”.

8 (ww) Subsection (a) of section 4980D is amended by
9 striking “plans” and inserting “plan”.

10 (xx) The matter following clause (iii) of section
11 6045(e)(5)(A) is amended by striking “for ‘\$250,000’.”
12 and all that follows through “to the Treasury.” and insert-
13 ing “for ‘\$250,000’. The Secretary may by regulation in-
14 crease the dollar amounts under this subparagraph if the
15 Secretary determines that such an increase will not mate-
16 rially reduce revenues to the Treasury.”.

17 (yy) Subsection (p) of section 6103 is amended—

18 (1) by striking so much of paragraph (4) as
19 precedes subparagraph (A) and inserting the fol-
20 lowing:

21 “(4) SAFEGUARDS.—Any Federal agency de-
22 scribed in subsection (h)(2), (h)(5), (i)(1), (2), (3),
23 (5), or (7), (j)(1), (2), or (5), (k)(8), (l)(1), (2), (3),
24 (5), (10), (11), (13), (14), or (17) or (o)(1), the
25 Government Accountability Office, the Congressional

1 Budget Office, or any agency, body, or commission
2 described in subsection (d), (i)(3)(B)(i) or 7(A)(ii),
3 or (l)(6), (7), (8), (9), (12), (15), or (16) or any
4 other person described in subsection (l)(16), (18),
5 (19), or (20) shall, as a condition for receiving re-
6 turns or return information—”,

7 (2) by amending paragraph (4)(F)(i) to read as
8 follows:

9 “(i) in the case of an agency, body, or
10 commission described in subsection (d),
11 (i)(3)(B)(i), or (l)(6), (7), (8), (9), or (16),
12 or any other person described in subsection
13 (l)(16), (18), (19), or (20) return to the
14 Secretary such returns or return informa-
15 tion (along with any copies made there-
16 from) or make such returns or return in-
17 formation undisclosable in any manner and
18 furnish a written report to the Secretary
19 describing such manner,” and

20 (3) by striking the first full sentence in the
21 matter following subparagraph (F) of paragraph (4)
22 and inserting the following: “If the Secretary deter-
23 mines that any such agency, body, or commission,
24 including an agency or any other person described in
25 subsection (l)(16), (18), (19), or (20), or the Gov-

1 ernment Accountability Office or the Congressional
2 Budget Office, has failed to, or does not, meet the
3 requirements of this paragraph, he may, after any
4 proceedings for review established under paragraph
5 (7), take such actions as are necessary to ensure
6 such requirements are met, including refusing to dis-
7 close returns or return information to such agency,
8 body, or commission, including an agency or any
9 other person described in subsection (l)(16), (18),
10 (19), or (20), or the Government Accountability Of-
11 fice or the Congressional Budget Office, until he de-
12 termines that such requirements have been or will be
13 met.”.

14 (zz) Clause (ii) of section 6111(b)(1)(A) is amended
15 by striking “advice or assistance” and inserting “aid, as-
16 sistance, or advice”.

17 (aaa) Paragraph (3) of section 6662(d) is amended
18 by striking “the” before “1 or more”.

19 **SEC. 413. OTHER CORRECTIONS RELATED TO THE AMER-**
20 **ICAN JOBS CREATION ACT OF 2004.**

21 (a) AMENDMENTS RELATED TO SECTION 233 OF
22 THE ACT.—

23 (1) Clause (vi) of section 1361(c)(2)(A) is
24 amended—

1 (A) by inserting “or a depository institu-
2 tion holding company (as defined in section
3 3(w)(1) of the Federal Deposit Insurance Act
4 (12 U.S.C. 1813(w)(1))” after “a bank (as de-
5 fined in section 581)”, and

6 (B) by inserting “or company” after “such
7 bank”.

8 (2) Paragraph (16) of section 4975(d) is
9 amended—

10 (A) in subparagraph (A), by inserting “or
11 a depository institution holding company (as de-
12 fined in section 3(w)(1) of the Federal Deposit
13 Insurance Act (12 U.S.C. 1813(w)(1))” after
14 “a bank (as defined in section 581)”, and

15 (B) in subparagraph (C), by inserting “or
16 company” after “such bank”.

17 (b) AMENDMENT RELATED TO SECTION 237 OF THE
18 ACT.—Subparagraph (F) of section 1362(d)(3) is amend-
19 ed by striking “a bank holding company” and all that fol-
20 lows through “section 2(p) of such Act)” and inserting
21 “a depository institution holding company (as defined in
22 section 3(w)(1) of the Federal Deposit Insurance Act (12
23 U.S.C. 1813(w)(1))”.

1 (c) AMENDMENTS RELATED TO SECTION 239 OF
2 THE ACT.—Paragraph (3) of section 1361(b) is
3 amended—

4 (1) in subparagraph (A), by striking “and in
5 the case of information returns required under part
6 III of subchapter A of chapter 61”, and

7 (2) by adding at the end the following new sub-
8 paragraph:

9 “(E) INFORMATION RETURNS.—Except to
10 the extent provided by the Secretary, this para-
11 graph shall not apply to part III of subchapter
12 A of chapter 61 (relating to information re-
13 turns).”.

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

18 **Subtitle B—Trade Technicals**

19 **SEC. 421. TECHNICAL CORRECTIONS TO REGIONAL VALUE-** 20 **CONTENT METHODS FOR RULES OF ORIGIN** 21 **UNDER PUBLIC LAW 109-53.**

22 Section 203(c) of the Dominican Republic–Central
23 America–United States Free Trade Agreement Implemen-
24 tation Act (Public Law 109–53; 19 U.S.C. 4033(c)) is
25 amended as follows:

1 (1) In paragraph (2)(A), by striking all that
2 follows “the following build-down method:” and in-
3 serting the following:

$$\text{“RVC} = \frac{\text{AV-VNM}}{\text{AV}} \times 100\text{”}.$$

4 (2) In paragraph (3)(A), by striking all that
5 follows “the following build-up method:” and insert-
6 ing the following:

$$\text{“RVC} = \frac{\text{VOM}}{\text{AV}} \times 100\text{”}.$$

7 (3) In paragraph (4)(A), by striking all that
8 follows “the following net cost method:” and insert-
9 ing the following:

$$\text{“RVC} = \frac{\text{NC-VNM}}{\text{NC}} \times 100\text{”}.$$

10 **TITLE V—EMERGENCY**
11 **REQUIREMENT**

12 **SEC. 501. EMERGENCY REQUIREMENT.**

13 Any provision of this Act causing an effect on re-
14 ceipts, budget authority, or outlays is designated as an
15 emergency requirement pursuant to section 402 of H.
16 Con. Res. 95 (109th Congress).