

Summary of Tax and Supplemental Security Income Provisions Designed to Assist Military Families and Service Volunteers

H.R. 3997

The Heroes Earnings Assistance and Relief Tax Act of 2007

1. Make permanent the ability to include combat pay as earned income for purposes of the Earned Income Tax Credit (EITC);
2. Make permanent and modify qualified mortgage bonds used to finance residences for veterans;
3. Modify the Uniformed Services Employment and Reemployment Rights Act (USERRA) to allow the day prior to the date of death to be treated as the date the employee returned to work for purposes of triggering payment of benefits under a qualified plan;
4. Permit an employer to make certain contributions to a qualified plan on behalf of an employee who was killed or disabled in combat;
5. Include differential wages paid by an employer to an employee who becomes active duty military in the calculation of wages for retirement plan purposes;
6. Clarify the tax treatment for certain rebates of deductible state and local taxes for volunteer firefighters and exclude from income certain reimbursable expenses incurred in the line of duty by volunteer firefighters;
7. Extend the limitations period for filing tax refund credit claims arising from Department of Veterans Affairs (DVA) disability determinations;
8. Make permanent the expiring Internal Revenue Code provision that permits active duty reservists to make penalty-free withdrawals from retirement plans;

9. Make permanent the expiring provision that authorizes the Social Security Administration (SSA) to disclose tax return information to the DVA for purposes of determining eligibility for certain veteran's programs;
10. Permit recipients of military death benefit gratuities to roll over the amounts received, tax-free, to a Roth IRA or an Education Savings Account;
11. Clarify the application of the "five-year requirement" to the sale of a principal residence by a Peace Corps volunteer;
12. Allow most military cash allowances beyond basic pay to be treated as earned income for the purpose of determining Supplemental Security Income (SSI) eligibility and benefit amounts for military families;
13. Disregard state annuity payments paid to blind veterans when determining SSI eligibility and benefits; and
14. Disregard allowances paid to all Americorps volunteers for the purpose of determining SSI eligibility and benefit amounts.

Revenue Provisions:

1. Create a uniform penalty for failure to file partnership and S corporation returns. The penalty will \$100 per partner/shareholder for each month during which such failure continues (up to 12 months).
2. Increase the general penalty for failure to file tax returns. The penalty will be the lesser of \$225 or 100 percent of the amount required to be shown on such tax return.
3. The provision would increase the penalties for failing to file correct returns, failing to furnish correct payee statements, and failing to comply with other information reporting requirements. This provision was included in the Tax Collection Responsibility Act of 2007.

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