

110TH CONGRESS  
1ST SESSION

# H. R. 3997

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## AN ACT

To amend the Internal Revenue Code of 1986 to provide earnings assistance and tax relief to members of the uniformed services, volunteer firefighters, and Peace Corps volunteers, and for other purposes.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE, ETC.**

2 (a) **SHORT TITLE.**—This Act may be cited as the  
3 “Heroes Earnings Assistance and Relief Tax Act of  
4 2007”.

5 (b) **REFERENCE.**—Except as otherwise expressly pro-  
6 vided, whenever in this Act an amendment or repeal is  
7 expressed in terms of an amendment to, or repeal of, a  
8 section or other provision, the reference shall be consid-  
9 ered to be made to a section or other provision of the In-  
10 ternal Revenue Code of 1986.

11 (c) **TABLE OF CONTENTS.**—The table of contents for  
12 this Act is as follows:

Sec. 1. Short title, etc.

**TITLE I—BENEFITS FOR MILITARY AND VOLUNTEER  
FIREFIGHTERS**

Sec. 101. Election to include combat pay as earned income for purposes of earned income tax credit.

Sec. 102. Modification of mortgage revenue bonds for veterans.

Sec. 103. Survivor and disability payments with respect to qualified military service.

Sec. 104. Treatment of differential military pay as wages.

Sec. 105. Exclusion from income for benefits provided to volunteer firefighters and emergency medical responders.

Sec. 106. Special period of limitation when uniformed services retired pay is reduced as a result of award of disability compensation.

Sec. 107. Distributions from retirement plans to individuals called to active duty.

Sec. 108. Disclosure of return information relating to veterans programs made permanent.

Sec. 109. Contributions of military death gratuities to Roth IRAs and Education Savings Accounts.

Sec. 110. Suspension of 5-year period during service with the Peace Corps.

**TITLE II—IMPROVEMENTS IN SUPPLEMENTAL SECURITY INCOME**

Sec. 201. Treatment of uniformed service cash remuneration as earned income.

Sec. 202. State annuities for certain veterans to be disregarded in determining supplemental security income benefits.

Sec. 203. Exclusion of AmeriCorps benefits for purposes of determining supplemental security income eligibility and benefit amounts.

Sec. 204. Effective date.

TITLE III—REVENUE PROVISIONS

Sec. 301. Modification of penalty for failure to file partnership returns.

Sec. 302. Penalty for failure to file S corporation returns.

Sec. 303. Increase in information return penalties.

Sec. 304. Increase in minimum penalty on failure to file a return of tax.

1 **TITLE I—BENEFITS FOR MILI-**  
 2 **TARY AND VOLUNTEER FIRE-**  
 3 **FIGHTERS**

4 **SEC. 101. ELECTION TO INCLUDE COMBAT PAY AS EARNED**  
 5 **INCOME FOR PURPOSES OF EARNED INCOME**  
 6 **TAX CREDIT.**

7 (a) IN GENERAL.—Clause (vi) of section 32(c)(2)(B)  
 8 (defining earned income) is amended to read as follows:

9 “(vi) a taxpayer may elect to treat  
 10 amounts excluded from gross income by  
 11 reason of section 112 as earned income.”.

12 (b) SUNSET NOT APPLICABLE.—Section 105 of the  
 13 Working Families Tax Relief Act of 2004 (relating to ap-  
 14 plication of EGTRRA sunset to this title) shall not apply  
 15 to section 104(b) of such Act.

16 (c) EFFECTIVE DATE.—The amendment made by  
 17 this section shall apply to taxable years ending after De-  
 18 cember 31, 2007.

19 **SEC. 102. MODIFICATION OF MORTGAGE REVENUE BONDS**  
 20 **FOR VETERANS.**

21 (a) QUALIFIED MORTGAGE BONDS USED TO FI-  
 22 NANCE RESIDENCES FOR VETERANS WITHOUT REGARD

1 TO FIRST-TIME HOMEBUYER REQUIREMENT.—Subpara-  
2 graph (D) of section 143(d)(2) (relating to exceptions) is  
3 amended by striking “and before January 1, 2008”.

4 (b) INCREASE IN BOND LIMITATION FOR ALASKA,  
5 OREGON, AND WISCONSIN.—Clause (ii) of section  
6 143(l)(3)(B) (relating to State veterans limit) is amended  
7 by striking “\$25,000,000” each place it appears and in-  
8 serting “\$100,000,000”.

9 (c) DEFINITION OF QUALIFIED VETERAN.—Para-  
10 graph (4) of section 143(l) (defining qualified veteran) is  
11 amended to read as follows:

12 “(4) QUALIFIED VETERAN.—For purposes of  
13 this subsection, the term ‘qualified veteran’ means  
14 any veteran who—

15 “(A) served on active duty, and

16 “(B) applied for the financing before the  
17 date 25 years after the last date on which such  
18 veteran left active service.”.

19 (d) EFFECTIVE DATE.—The amendments made by  
20 this section shall apply to bonds issued after December  
21 31, 2007.

22 **SEC. 103. SURVIVOR AND DISABILITY PAYMENTS WITH RE-**  
23 **SPECT TO QUALIFIED MILITARY SERVICE.**

24 (a) PLAN QUALIFICATION REQUIREMENT FOR  
25 DEATH BENEFITS UNDER USERRA-QUALIFIED ACTIVE

1 MILITARY SERVICE.—Subsection (a) of section 401 (relat-  
2 ing to requirements for qualification) is amended by in-  
3 serting after paragraph (36) the following new paragraph:

4           “(37) DEATH BENEFITS UNDER USERRA-QUALI-  
5 FIED ACTIVE MILITARY SERVICE.—A trust shall not  
6 constitute a qualified trust unless the plan provides  
7 that, in the case of a participant who dies while per-  
8 forming qualified military service (as defined in sec-  
9 tion 414(u)), the survivors of the participant are en-  
10 titled to any additional benefits (other than benefit  
11 accruals relating to the period of qualified military  
12 service) provided under the plan had the participant  
13 resumed and then terminated employment on ac-  
14 count of death.”.

15           (b) TREATMENT IN THE CASE OF DEATH OR DIS-  
16 ABILITY RESULTING FROM ACTIVE MILITARY SERVICE  
17 FOR BENEFIT ACCRUAL PURPOSES.—Subsection (u) of  
18 section 414 (relating to special rules relating to veterans’  
19 reemployment rights under USERRA) is amended by re-  
20 designating paragraphs (9) and (10) as paragraphs (10)  
21 and (11), respectively, and by inserting after paragraph  
22 (8) the following new paragraph:

23           “(9) TREATMENT IN THE CASE OF DEATH OR  
24 DISABILITY RESULTING FROM ACTIVE MILITARY  
25 SERVICE.—

1           “(A) IN GENERAL.—For benefit accrual  
2 purposes, an employer sponsoring a retirement  
3 plan may treat an individual who dies or be-  
4 comes disabled (as defined under the terms of  
5 the plan) while performing qualified military  
6 service with respect to the employer maintain-  
7 ing the plan as if the individual has resumed  
8 employment in accordance with the individual’s  
9 reemployment rights under chapter 43 of title  
10 38, United States Code, on the day preceding  
11 death or disability (as the case may be) and ter-  
12 minated employment on the actual date of  
13 death or disability. In the case of any such  
14 treatment, and subject to subparagraphs (B)  
15 and (C), any full or partial compliance by such  
16 plan with respect to the benefit accrual require-  
17 ments of paragraph (8) with respect to such in-  
18 dividual shall be treated for purposes of para-  
19 graph (1) as if such compliance were required  
20 under such chapter 43.

21           “(B) NONDISCRIMINATION REQUIRE-  
22 MENT.—Subparagraph (A) shall apply only if  
23 all individuals performing qualified military  
24 service with respect to the employer maintain-  
25 ing the plan (as determined under subsections

1 (b), (c), (m), and (o)) who die or became dis-  
2 abled as a result of performing qualified mili-  
3 tary service prior to reemployment by the em-  
4 ployer are credited with service and benefits on  
5 reasonably equivalent terms.

6 “(C) DETERMINATION OF BENEFITS.—The  
7 amount of employee contributions and the  
8 amount of elective deferrals of an individual  
9 treated as reemployed under subparagraph (A)  
10 for purposes of applying paragraph (8)(C) shall  
11 be determined on the basis of the individual’s  
12 average actual employee contributions or elec-  
13 tive deferrals for the lesser of—

14 “(i) the 12-month period of service  
15 with the employer immediately prior to  
16 qualified military service, or

17 “(ii) if service with the employer is  
18 less than such 12-month period, the actual  
19 length of continuous service with the em-  
20 ployer.”.

21 (c) CONFORMING AMENDMENTS.—

22 (1) Section 404(a)(2) is amended by striking  
23 “and (31)” and inserting “(31), and (37)”.

24 (2) Section 403(b) is amended by adding at the  
25 end the following new paragraph:

1           “(14) DEATH BENEFITS UNDER USERRA-QUALI-  
2 FIED ACTIVE MILITARY SERVICE.—This subsection  
3 shall not apply to an annuity contract unless such  
4 contract meets the requirements of section  
5 401(a)(37).”.

6           (3) Section 457(g) is amended by adding at the  
7 end the following new paragraph:

8           “(4) DEATH BENEFITS UNDER USERRA-QUALI-  
9 FIED ACTIVE MILITARY SERVICE.—A plan described  
10 in paragraph (1) shall not be treated as an eligible  
11 deferred compensation plan unless such plan meets  
12 the requirements of section 401(a)(37).”.

13 (d) EFFECTIVE DATE.—

14           (1) IN GENERAL.—The amendments made by  
15 this section shall apply with respect to deaths and  
16 disabilities occurring on or after January 1, 2007.

17           (2) PROVISIONS RELATING TO PLAN AMEND-  
18 MENTS.—

19           (A) IN GENERAL.—If this subparagraph  
20 applies to any plan or contract amendment,  
21 such plan or contract shall be treated as being  
22 operated in accordance with the terms of the  
23 plan during the period described in subpara-  
24 graph (B)(iii).



1 (B) AMENDMENTS TO WHICH SUBPARA-  
2 GRAPH (A) APPLIES.—

3 (i) IN GENERAL.—Subparagraph (A)  
4 shall apply to any amendment to any plan  
5 or annuity contract which is made—

6 (I) pursuant to the amendments  
7 made by subsection (a) or pursuant to  
8 any regulation issued by the Secretary  
9 of the Treasury under subsection (a),  
10 and

11 (II) on or before the last day of  
12 the first plan year beginning on or  
13 after January 1, 2009.

14 In the case of a governmental plan (as de-  
15 fined in section 414(d) of the Internal Rev-  
16 enue Code of 1986), this clause shall be  
17 applied by substituting “2011” for “2009”  
18 in subclause (II).

19 (ii) CONDITIONS.—This paragraph  
20 shall not apply to any amendment unless—

21 (I) the plan or contract is oper-  
22 ated as if such plan or contract  
23 amendment were in effect for the pe-  
24 riod described in clause (iii), and

1 (II) such plan or contract amend-  
 2 ment applies retroactively for such pe-  
 3 riod.

4 (iii) PERIOD DESCRIBED.—The period  
 5 described in this clause is the period—

6 (I) beginning on the effective  
 7 date specified by the plan, and

8 (II) ending on the date described  
 9 in clause (i)(II) (or, if earlier, the  
 10 date the plan or contract amendment  
 11 is adopted).

12 **SEC. 104. TREATMENT OF DIFFERENTIAL MILITARY PAY AS**  
 13 **WAGES.**

14 (a) INCOME TAX WITHHOLDING ON DIFFERENTIAL  
 15 WAGE PAYMENTS.—

16 (1) IN GENERAL.—Section 3401 (relating to  
 17 definitions) is amended by adding at the end the fol-  
 18 lowing new subsection:

19 “(h) DIFFERENTIAL WAGE PAYMENTS TO ACTIVE  
 20 DUTY MEMBERS OF THE UNIFORMED SERVICES.—

21 “(1) IN GENERAL.—For purposes of subsection  
 22 (a), any differential wage payment shall be treated  
 23 as a payment of wages by the employer to the em-  
 24 ployee.

1           “(2) DIFFERENTIAL WAGE PAYMENT.—For  
2 purposes of paragraph (1), the term ‘differential  
3 wage payment’ means any payment which—

4           “(A) is made by an employer to an indi-  
5 vidual with respect to any period during which  
6 the individual is performing service in the uni-  
7 formed services (as defined in chapter 43 of  
8 title 38, United States Code) while on active  
9 duty for a period of more than 30 days, and

10           “(B) represents all or a portion of the  
11 wages the individual would have received from  
12 the employer if the individual were performing  
13 service for the employer.”.

14           (2) EFFECTIVE DATE.—The amendment made  
15 by this subsection shall apply to remuneration paid  
16 after December 31, 2007.

17           (b) TREATMENT OF DIFFERENTIAL WAGE PAY-  
18 MENTS FOR RETIREMENT PLAN PURPOSES.—

19           (1) PENSION PLANS.—

20           (A) IN GENERAL.—Section 414(u) (relat-  
21 ing to special rules relating to veterans’ reem-  
22 ployment rights under USERRA), as amended  
23 by section 103(b), is amended by adding at the  
24 end the following new paragraph:

1           “(12) TREATMENT OF DIFFERENTIAL WAGE  
2 PAYMENTS.—

3           “(A) IN GENERAL.—Except as provided in  
4 this paragraph, for purposes of applying this  
5 title to a retirement plan to which this sub-  
6 section applies—

7                   “(i) an individual receiving a differen-  
8 tial wage payment shall be treated as an  
9 employee of the employer making the pay-  
10 ment,

11                   “(ii) the differential wage payment  
12 shall be treated as compensation, and

13                   “(iii) the plan shall not be treated as  
14 failing to meet the requirements of any  
15 provision described in paragraph (1)(C) by  
16 reason of any contribution or benefit which  
17 is based on the differential wage payment.

18           “(B) SPECIAL RULE FOR DISTRIBUTI-  
19 TIONS.—

20                   “(i) IN GENERAL.—Notwithstanding  
21 subparagraph (A)(i), for purposes of sec-  
22 tion 401(k)(2)(B)(i)(I), 403(b)(7)(A)(ii),  
23 403(b)(11)(A), or 457(d)(1)(A)(ii), an in-  
24 dividual shall be treated as having been  
25 severed from employment during any pe-

1           riod the individual is performing service in  
2           the uniformed services described in section  
3           3401(h)(2)(A).

4           “(ii) LIMITATION.—If an individual  
5           elects to receive a distribution by reason of  
6           clause (i), the plan shall provide that the  
7           individual may not make an elective deferral or  
8           employee contribution during the 6-month  
9           period beginning on the date of the  
10          distribution.

11          “(C) NONDISCRIMINATION REQUIRE-  
12          MENT.—Subparagraph (A)(iii) shall apply only  
13          if all employees of an employer (as determined  
14          under subsections (b), (c), (m), and (o)) performing  
15          service in the uniformed services described in  
16          section 3401(h)(2)(A) are entitled to receive  
17          differential wage payments on reasonably equivalent  
18          terms and, if eligible to participate in a retirement  
19          plan maintained by the employer, to make contributions  
20          based on the payments on reasonably equivalent terms.  
21          For purposes of applying this subparagraph, the  
22          provisions of paragraphs (3), (4), and (5) of  
23          section 410(b) shall apply.  
24

1           “(D) DIFFERENTIAL WAGE PAYMENT.—  
2           For purposes of this paragraph, the term ‘dif-  
3           ferential wage payment’ has the meaning given  
4           such term by section 3401(h)(2).”.

5           (B) CONFORMING AMENDMENT.—The  
6           heading for section 414(u) is amended by in-  
7           serting “AND TO DIFFERENTIAL WAGE PAY-  
8           MENTS TO MEMBERS ON ACTIVE DUTY” after  
9           “USERRA”.

10          (2) DIFFERENTIAL WAGE PAYMENTS TREATED  
11          AS COMPENSATION FOR INDIVIDUAL RETIREMENT  
12          PLANS.—Section 219(f)(1) (defining compensation)  
13          is amended by adding at the end the following new  
14          sentence: “The term compensation includes any dif-  
15          ferential wage payment (as defined in section  
16          3401(h)(2)).”.

17          (3) EFFECTIVE DATE.—The amendments made  
18          by this subsection shall apply to years beginning  
19          after December 31, 2007.

20          (c) PROVISIONS RELATING TO PLAN AMEND-  
21          MENTS.—

22          (1) IN GENERAL.—If this subsection applies to  
23          any plan or annuity contract amendment, such plan  
24          or contract shall be treated as being operated in ac-

1 cordance with the terms of the plan or contract dur-  
2 ing the period described in paragraph (2)(B)(i).

3 (2) AMENDMENTS TO WHICH SECTION AP-  
4 PLIES.—

5 (A) IN GENERAL.—This subsection shall  
6 apply to any amendment to any plan or annuity  
7 contract which is made—

8 (i) pursuant to any amendment made  
9 by subsection (b)(1), and

10 (ii) on or before the last day of the  
11 first plan year beginning on or after Janu-  
12 ary 1, 2009.

13 In the case of a governmental plan (as defined  
14 in section 414(d) of the Internal Revenue Code  
15 of 1986), this subparagraph shall be applied by  
16 substituting “2011” for “2009” in clause (ii).

17 (B) CONDITIONS.—This subsection shall  
18 not apply to any plan or annuity contract  
19 amendment unless—

20 (i) during the period beginning on the  
21 date the amendment described in subpara-  
22 graph (A)(i) takes effect and ending on the  
23 date described in subparagraph (A)(ii) (or,  
24 if earlier, the date the plan or contract  
25 amendment is adopted), the plan or con-

1                   tract is operated as if such plan or con-  
2                   tract amendment were in effect, and

3                   (ii) such plan or contract amendment  
4                   applies retroactively for such period.

5 **SEC. 105. EXCLUSION FROM INCOME FOR BENEFITS PRO-**  
6 **VIDED TO VOLUNTEER FIREFIGHTERS AND**  
7 **EMERGENCY MEDICAL RESPONDERS.**

8           (a) IN GENERAL.—Part III of subchapter B of chap-  
9 ter 1 (relating to items specifically excluded from gross  
10 income) is amended by inserting after section 139A the  
11 following new section:

12 **“SEC. 139B. BENEFITS PROVIDED TO VOLUNTEER FIRE-**  
13 **FIGHTERS AND EMERGENCY MEDICAL RE-**  
14 **SPONDERS.**

15           “(a) IN GENERAL.—In the case of any member of  
16 a qualified volunteer emergency response organization,  
17 gross income shall not include—

18                   “(1) any qualified State and local tax benefit,

19                   and

20                   “(2) any qualified payment.

21           “(b) DENIAL OF DOUBLE BENEFITS.—In the case  
22 of any member of a qualified volunteer emergency re-  
23 sponse organization—



1           “(1) the deduction under 164 shall be deter-  
2           mined with regard to any qualified State and local  
3           tax benefit, and

4           “(2) expenses paid or incurred by the taxpayer  
5           in connection with the performance of services as  
6           such a member shall be taken into account under  
7           section 170 only to the extent such expenses exceed  
8           the amount of any qualified payment excluded from  
9           gross income under subsection (a).

10          “(c) DEFINITIONS.—For purposes of this section—

11           “(1) QUALIFIED STATE AND LOCAL TAX BEN-  
12           EFIT.—The term ‘qualified state and local tax ben-  
13           efit’ means any reduction or rebate of a tax de-  
14           scribed in paragraph (1), (2), or (3) of section  
15           164(a) provided by a State or political division  
16           thereof on account of services performed as a mem-  
17           ber of a qualified volunteer emergency response or-  
18           ganization.

19           “(2) QUALIFIED PAYMENT.—

20           “(A) IN GENERAL.—The term ‘qualified  
21           payment’ means any payment (whether reim-  
22           bursement or otherwise) provided by a State or  
23           political division thereof on account of the per-  
24           formance of services as a member of a qualified  
25           volunteer emergency response organization.

1           “(B) APPLICABLE DOLLAR LIMITATION.—  
 2           The amount determined under subparagraph  
 3           (A) for any taxable year shall not exceed \$30  
 4           multiplied by the number of months during  
 5           such year that the taxpayer performs such serv-  
 6           ices.

7           “(3) QUALIFIED VOLUNTEER EMERGENCY RE-  
 8           SPONSE ORGANIZATION.—The term ‘qualified volun-  
 9           teer emergency response organization’ means any  
 10          volunteer organization—

11           “(A) which is organized and operated to  
 12           provide firefighting or emergency medical serv-  
 13           ices for persons in the State or political subdivi-  
 14           sion, as the case may be, and

15           “(B) which is required (by written agree-  
 16           ment) by the State or political subdivision to  
 17           furnish firefighting or emergency medical serv-  
 18           ices in such State or political subdivision.”.

19          (b) CLERICAL AMENDMENT.—The table of sections  
 20          for such part is amended by inserting after the item relat-  
 21          ing to section 139A the following new item:

          “Sec. 139B. Benefits provided to volunteer firefighters and emergency medical  
           responders.”.

22          (c) EFFECTIVE DATE.—The amendments made by  
 23          this section shall apply to taxable years beginning after  
 24          the date of the enactment of this Act.

1 **SEC. 106. SPECIAL PERIOD OF LIMITATION WHEN UNI-**  
2 **FORMED SERVICES RETIRED PAY IS RE-**  
3 **DUCTION AS A RESULT OF AWARD OF DIS-**  
4 **ABILITY COMPENSATION.**

5 (a) IN GENERAL.—Subsection (d) of section 6511  
6 (relating to special rules applicable to income taxes) is  
7 amended by adding at the end the following new para-  
8 graph:

9 “(8) SPECIAL RULES WHEN UNIFORMED SERV-  
10 ICES RETIRED PAY IS REDUCED AS A RESULT OF  
11 AWARD OF DISABILITY COMPENSATION.—

12 “(A) PERIOD OF LIMITATION ON FILING  
13 CLAIM.—If the claim for credit or refund re-  
14 lates to an overpayment of tax imposed by sub-  
15 title A on account of—

16 “(i) the reduction of uniformed serv-  
17 ices retired pay computed under section  
18 1406 or 1407 of title 10, United States  
19 Code, or

20 “(ii) the waiver of such pay under sec-  
21 tion 5305 of title 38 of such Code,

22 as a result of an award of compensation under  
23 title 38 of such Code pursuant to a determina-  
24 tion by the Secretary of Veterans Affairs, the 3-  
25 year period of limitation prescribed in sub-  
26 section (a) shall be extended, for purposes of

1           permitting a credit or refund based upon the  
2           amount of such reduction or waiver, until the  
3           end of the 1-year period beginning on the date  
4           of such determination.

5                   “(B) LIMITATION TO 5 TAXABLE YEARS.—  
6           Subparagraph (A) shall not apply with respect  
7           to any taxable year which began more than 5  
8           years before the date of such determination.”.

9           (b) EFFECTIVE DATE.—The amendment made by  
10          subsection (a) shall apply to claims for credit or refund  
11          filed after the date of the enactment of this Act.

12          (c) TRANSITION RULES.—In the case of a determina-  
13          tion described in paragraph (8) of section 6511(d) of the  
14          Internal Revenue Code of 1986 (as added by this section)  
15          which is made by the Secretary of Veterans Affairs after  
16          December 31, 2000, and before the date of the enactment  
17          of this Act, such paragraph—

18                   (1) shall not apply with respect to any taxable  
19                  year which began before January 1, 2001, and

20                   (2) shall be applied by substituting for “the  
21                  date of such determination” in subparagraph (A)  
22                  thereof.

1 **SEC. 107. DISTRIBUTIONS FROM RETIREMENT PLANS TO**  
2 **INDIVIDUALS CALLED TO ACTIVE DUTY.**

3 (a) **IN GENERAL.**—Clause (iv) of section 72(t)(2)(G)  
4 is amended by striking “, and before December 31, 2007”.

5 (b) **EFFECTIVE DATE.**—The amendment made by  
6 this section shall apply to individuals ordered or called to  
7 active duty on or after December 31, 2007.

8 **SEC. 108. DISCLOSURE OF RETURN INFORMATION RELAT-**  
9 **ING TO VETERANS PROGRAMS MADE PERMA-**  
10 **NENT.**

11 (a) **IN GENERAL.**—Subparagraph (D) of section  
12 6103(l)(7) (relating to disclosure of return information to  
13 Federal, State, and local agencies administering certain  
14 programs under the Social Security Act, the Food Stamp  
15 Act of 1977, or title 38, United States Code or certain  
16 housing assistance programs) is amended by striking the  
17 last sentence.

18 (b) **EFFECTIVE DATE.**—The amendments made by  
19 this section shall apply to requests made after September  
20 30, 2008.

21 **SEC. 109. CONTRIBUTIONS OF MILITARY DEATH GRATU-**  
22 **ITIES TO ROTH IRAS AND EDUCATION SAV-**  
23 **INGS ACCOUNTS.**

24 (a) **PROVISION IN EFFECT BEFORE PENSION PRO-**  
25 **TECTION ACT.**—Subsection (e) of section 408A (relating  
26 to qualified rollover contribution), as in effect before the

1 amendments made by section 824 of the Pension Protec-  
2 tion Act of 2006, is amended to read as follows:

3 “(e) QUALIFIED ROLLOVER CONTRIBUTION.—For  
4 purposes of this section—

5 “(1) IN GENERAL.—The term ‘qualified rollover  
6 contribution’ means a rollover contribution to a Roth  
7 IRA from another such account, or from an indi-  
8 vidual retirement plan, but only if such rollover con-  
9 tribution meets the requirements of section  
10 408(d)(3). Such term includes a rollover contribu-  
11 tion described in section 402A(c)(3)(A). For pur-  
12 poses of section 408(d)(3)(B), there shall be dis-  
13 regarded any qualified rollover contribution from an  
14 individual retirement plan (other than a Roth IRA)  
15 to a Roth IRA.

16 “(2) MILITARY DEATH GRATUITY.—

17 “(A) IN GENERAL.—The term ‘qualified  
18 rollover contribution’ includes a contribution to  
19 a Roth IRA maintained for the benefit of an in-  
20 dividual made before the end of the 1-year pe-  
21 riod beginning on the date on which such indi-  
22 vidual receives an amount under section 1477  
23 of title 10, United States Code, or section 1967  
24 of title 38 of such Code, with respect to a per-

1 son, to the extent that such contribution does  
2 not exceed—

3 “(i) the sum of the amounts received  
4 during such period by such individual  
5 under such sections with respect to such  
6 person, reduced by

7 “(ii) the amounts so received which  
8 were contributed to a Coverdell education  
9 savings account under section 530(d)(9).

10 “(B) ANNUAL LIMIT ON NUMBER OF  
11 ROLLOVERS NOT TO APPLY.—Section  
12 408(d)(3)(B) shall not apply with respect to  
13 amounts treated as a rollover by subparagraph  
14 (A).

15 “(C) APPLICATION OF SECTION 72.—For  
16 purposes of applying section 72 in the case of  
17 a distribution which is not a qualified distribu-  
18 tion, the amount treated as a rollover by reason  
19 of subparagraph (A) shall be treated as invest-  
20 ment in the contract.”.

21 (b) PROVISION IN EFFECT AFTER PENSION PROTEC-  
22 TION ACT.—Subsection (e) of section 408A, as in effect  
23 after the amendments made by section 824 of the Pension  
24 Protection Act of 2006, is amended to read as follows:

1       “(e) QUALIFIED ROLLOVER CONTRIBUTION.—For  
2 purposes of this section—

3               “(1) IN GENERAL.—The term ‘qualified rollover  
4 contribution’ means a rollover contribution—

5                       “(A) to a Roth IRA from another such ac-  
6 count,

7                       “(B) from an eligible retirement plan, but  
8 only if—

9                               “(i) in the case of an individual retire-  
10 ment plan, such rollover contribution meets  
11 the requirements of section 408(d)(3), and

12                               “(ii) in the case of any eligible retire-  
13 ment plan (as defined in section  
14 402(c)(8)(B) other than clauses (i) and (ii)  
15 thereof), such rollover contribution meets  
16 the requirements of section 402(c),  
17 403(b)(8), or 457(e)(16), as applicable.

18       For purposes of section 408(d)(3)(B), there  
19 shall be disregarded any qualified rollover con-  
20 tribution from an individual retirement plan  
21 (other than a Roth IRA) to a Roth IRA.

22       “(2) MILITARY DEATH GRATUITY.—

23                       “(A) IN GENERAL.—The term ‘qualified  
24 rollover contribution’ includes a contribution to  
25 a Roth IRA maintained for the benefit of an in-



1           dividual made before the end of the 1-year pe-  
2           riod beginning on the date on which such indi-  
3           vidual receives an amount under section 1477  
4           of title 10, United States Code, or section 1967  
5           of title 38 of such Code, with respect to a per-  
6           son, to the extent that such contribution does  
7           not exceed—

8                   “(i) the sum of the amounts received  
9                   during such period by such individual  
10                  under such sections with respect to such  
11                  person, reduced by

12                   “(ii) the amounts so received which  
13                   were contributed to a Coverdell education  
14                   savings account under section 530(d)(9).

15           “(B) ANNUAL LIMIT ON NUMBER OF  
16           ROLLOVERS NOT TO APPLY.—Section  
17           408(d)(3)(B) shall not apply with respect to  
18           amounts treated as a rollover by the subpara-  
19           graph (A).

20           “(C) APPLICATION OF SECTION 72.—For  
21           purposes of applying section 72 in the case of  
22           a distribution which is not a qualified distribu-  
23           tion, the amount treated as a rollover by reason  
24           of subparagraph (A) shall be treated as invest-  
25           ment in the contract.”.

1 (c) EDUCATION SAVINGS ACCOUNTS.—Subsection  
2 (d) of section 530 is amended by adding at the end the  
3 following new paragraph:

4 “(9) MILITARY DEATH GRATUITY.—

5 “(A) IN GENERAL.—For purposes of this  
6 section, the term ‘rollover contribution’ includes  
7 a contribution to a Coverdell education savings  
8 account made before the end of the 1-year pe-  
9 riod beginning on the date on which the con-  
10 tributor receives an amount under section 1477  
11 of title 10, United States Code, or section 1967  
12 of title 38 of such Code, with respect to a per-  
13 son, to the extent that such contribution does  
14 not exceed—

15 “(i) the sum of the amounts received  
16 during such period by such contributor  
17 under such sections with respect to such  
18 person, reduced by

19 “(ii) the amounts so received which  
20 were contributed to a Roth IRA under sec-  
21 tion 408A(e)(2) or to another Coverdell  
22 education savings account.

23 “(B) ANNUAL LIMIT ON NUMBER OF  
24 ROLLOVERS NOT TO APPLY.—The last sentence  
25 of paragraph (5) shall not apply with respect to

1 amounts treated as a rollover by the subpara-  
2 graph (A).

3 “(C) APPLICATION OF SECTION 72.—For  
4 purposes of applying section 72 in the case of  
5 a distribution which is includible in gross in-  
6 come under paragraph (1), the amount treated  
7 as a rollover by reason of subparagraph (A)  
8 shall be treated as investment in the contract.”.

9 (d) EFFECTIVE DATES.—

10 (1) IN GENERAL.—Except as provided by para-  
11 graphs (2) and (3), the amendments made by this  
12 section shall apply with respect to deaths from inju-  
13 ries occurring on or after the date of the enactment  
14 of this Act.

15 (2) APPLICATION OF AMENDMENTS TO DEATHS  
16 FROM INJURIES OCCURRING ON OR AFTER OCTOBER  
17 7, 2001, AND BEFORE ENACTMENT.—The amend-  
18 ments made by this section shall apply to any con-  
19 tribution made pursuant to section 408A(e)(2) or  
20 530(d)(5) of the Internal Revenue Code of 1986, as  
21 amended by this Act, with respect to amounts re-  
22 ceived under section 1477 of title 10, United States  
23 Code, or under section 1967 of title 38 of such  
24 Code, for deaths from injuries occurring on or after  
25 October 7, 2001, and before the date of the enact-

1       ment of this Act if such contribution is made not  
2       later than 1 year after the date of the enactment of  
3       this Act.

4               (3) PENSION PROTECTION ACT CHANGES.—Sec-  
5       tion 408A(e)(1) of the Internal Revenue Code of  
6       1986 (as in effect after the amendments made by  
7       subsection (b)) shall apply to taxable years begin-  
8       ning after December 31, 2007.

9       **SEC. 110. SUSPENSION OF 5-YEAR PERIOD DURING SERV-**  
10               **ICE WITH THE PEACE CORPS.**

11       (a) IN GENERAL.—Subsection (d) of section 121 (re-  
12       lating to special rules) is amended by adding at the end  
13       the following new paragraph:

14               “(12) PEACE CORPS.—

15                       “(A) IN GENERAL.—At the election of an  
16       individual with respect to a property, the run-  
17       ning of the 5-year period described in sub-  
18       sections (a) and (c)(1)(B) and paragraph (7) of  
19       this subsection with respect to such property  
20       shall be suspended during any period that such  
21       individual or such individual’s spouse is serving  
22       outside the United States—

23                               “(i) on qualified official extended duty  
24                               (as defined in paragraph (9)(C)) as an em-  
25                               ployee of the Peace Corps, or

1                   “(ii) as an enrolled volunteer or volun-  
2                   teer leader under section 5 or 6 (as the  
3                   case may be) of the Peace Corps Act (22  
4                   U.S.C. 2504, 2505).

5                   “(B) APPLICABLE RULES.—For purposes  
6                   of subparagraph (A), rules similar to the rules  
7                   of subparagraphs (B) and (D) shall apply.”.

8                   (b) EFFECTIVE DATE.—The amendment made by  
9                   subsection (a) shall apply to taxable years beginning after  
10                  December 31, 2007.

11 **TITLE II—IMPROVEMENTS IN**  
12 **SUPPLEMENTAL SECURITY**  
13 **INCOME**

14 **SEC. 201. TREATMENT OF UNIFORMED SERVICE CASH RE-**  
15 **MUNERATION AS EARNED INCOME.**

16                  (a) IN GENERAL.—Section 1612(a)(1)(A) of the So-  
17                  cial Security Act (42 U.S.C. 1382a(a)(1)(A)) is amended  
18                  by inserting “(and, in the case of cash remuneration paid  
19                  for service as a member of a uniformed service (other than  
20                  payments described in paragraph (2)(H) of this subsection  
21                  or subsection (b)(20)), without regard to the limitations  
22                  contained in section 209(d))” before the semicolon.

23                  (b) CERTAIN HOUSING PAYMENTS TREATED AS IN-  
24                  KIND SUPPORT AND MAINTENANCE.—Section 1612(a)(2)  
25                  of such Act (42 U.S.C. 1382a(a)(2)) is amended—

1           (1) by striking “and” at the end of subpara-  
2           graph (F);

3           (2) by striking the period at the end of sub-  
4           paragraph (G) and inserting “; and”; and

5           (3) by adding at the end the following:

6                   “(H) payments to or on behalf of a mem-  
7           ber of a uniformed service for housing of the  
8           member (and his or her dependents, if any) on  
9           a facility of a uniformed service, including pay-  
10          ments provided under section 403 of title 37,  
11          United States Code, for housing that is ac-  
12          quired or constructed under subchapter IV of  
13          chapter 169 of title 10 of such Code, or any re-  
14          lated provision of law, and any such payments  
15          shall be treated as support and maintenance in  
16          kind subject to subparagraph (A) of this para-  
17          graph.”.

18 **SEC. 202. STATE ANNUITIES FOR CERTAIN VETERANS TO**  
19                   **BE DISREGARDED IN DETERMINING SUPPLE-**  
20                   **MENTAL SECURITY INCOME BENEFITS.**

21           (a) INCOME DISREGARD.—Section 1612(b) of the So-  
22          cial Security Act (42 U.S.C. 1382a(b)) is amended—

23                   (1) by striking “and” at the end of paragraph  
24                   (22);

1           (2) by striking the period at the end of para-  
2 graph (23) and inserting “; and”; and

3           (3) by adding at the end the following:

4           “(24) any annuity paid by a State to the indi-  
5 vidual (or such spouse) on the basis of the individ-  
6 ual’s being a veteran (as defined in section 101 of  
7 title 38, United States Code), and blind, disabled, or  
8 aged.”.

9           (b) RESOURCE DISREGARD.—Section 1613(a) of  
10 such Act (42 U.S.C. 1382b(a)) is amended—

11           (1) by striking “and” at the end of paragraph  
12 (14);

13           (2) by striking the period at the end of para-  
14 graph (15) and inserting “; and”; and

15           (3) by inserting after paragraph (15) the fol-  
16 lowing:

17           “(16) for the month of receipt and every month  
18 thereafter, any annuity paid by a State to the indi-  
19 vidual (or such spouse) on the basis of the individ-  
20 ual’s being a veteran (as defined in section 101 of  
21 title 38, United States Code), and blind, disabled, or  
22 aged.”.

1 **SEC. 203. EXCLUSION OF AMERICORPS BENEFITS FOR PUR-**  
2 **POSES OF DETERMINING SUPPLEMENTAL SE-**  
3 **CURITY INCOME ELIGIBILITY AND BENEFIT**  
4 **AMOUNTS.**

5 Section 1612(b) of the Social Security Act (42 U.S.C.  
6 1382a(b)), as amended by section 202(a) of this Act, is  
7 amended—

8 (1) in paragraph (23), by striking “and” at the  
9 end;

10 (2) in paragraph (24), by striking the period  
11 and inserting “; and”; and

12 (3) by adding at the end the following:

13 “(25) any benefit (whether cash or in-kind)  
14 conferred upon (or paid on behalf of) a participant  
15 in an AmeriCorps position approved by the Corpora-  
16 tion for National and Community Service under  
17 section 123 of the National and Community Service  
18 Act of 1990 (42 U.S.C. 12573).”.

19 **SEC. 204. EFFECTIVE DATE.**

20 The amendments made by this title shall be effective  
21 with respect to benefits payable for months beginning  
22 after 60 days after the date of the enactment of this Act.



1                   **TITLE III—REVENUE**  
2                   **PROVISIONS**

3 **SEC. 301. MODIFICATION OF PENALTY FOR FAILURE TO**  
4                   **FILE PARTNERSHIP RETURNS.**

5           (a) **EXTENSION OF TIME LIMITATION.**—Subsection  
6 (a) of section 6698 (relating to general rule) is amended  
7 by striking “5 months” and inserting “12 months”.

8           (b) **INCREASE IN PENALTY AMOUNT.**—Paragraph  
9 (1) of section 6698(b) is amended by striking “\$50” and  
10 inserting “\$100”.

11          (c) **EFFECTIVE DATE.**—The amendments made by  
12 this section shall apply to returns required to be filed after  
13 the date of the enactment of this Act.

14 **SEC. 302. PENALTY FOR FAILURE TO FILE S CORPORATION**  
15                   **RETURNS.**

16          (a) **IN GENERAL.**—Part I of subchapter B of chapter  
17 68 (relating to assessable penalties) is amended by adding  
18 at the end the following new section:

19 **“SEC. 6699. FAILURE TO FILE S CORPORATION RETURN.**

20          “(a) **GENERAL RULE.**—In addition to the penalty im-  
21 posed by section 7203 (relating to willful failure to file  
22 return, supply information, or pay tax), if any S corpora-  
23 tion required to file a return under section 6037 for any  
24 taxable year—

1           “(1) fails to file such return at the time pre-  
2           scribed therefor (determined with regard to any ex-  
3           tension of time for filing), or

4           “(2) files a return which fails to show the infor-  
5           mation required under section 6037,

6 such S corporation shall be liable for a penalty determined  
7 under subsection (b) for each month (or fraction thereof)  
8 during which such failure continues (but not to exceed 12  
9 months), unless it is shown that such failure is due to rea-  
10 sonable cause.

11           “(b) AMOUNT PER MONTH.—For purposes of sub-  
12 section (a), the amount determined under this subsection  
13 for any month is the product of—

14           “(1) \$100, multiplied by

15           “(2) the number of persons who were share-  
16 holders in the S corporation during any part of the  
17 taxable year.

18           “(c) ASSESSMENT OF PENALTY.—The penalty im-  
19 posed by subsection (a) shall be assessed against the S  
20 corporation.

21           “(d) DEFICIENCY PROCEDURES NOT TO APPLY.—  
22 Subchapter B of chapter 63 (relating to deficiency proce-  
23 dures for income, estate, gift, and certain excise taxes)  
24 shall not apply in respect of the assessment or collection  
25 of any penalty imposed by subsection (a).”.

1 (b) CLERICAL AMENDMENT.—The table of sections  
2 for part I of subchapter B of chapter 68 is amended by  
3 adding at the end the following new item:

“Sec. 6699. Failure to file S corporation return.”.

4 (c) EFFECTIVE DATE.—The amendments made by  
5 this section shall apply to returns required to be filed after  
6 the date of the enactment of this Act.

7 **SEC. 303. INCREASE IN INFORMATION RETURN PENALTIES.**

8 (a) FAILURE TO FILE CORRECT INFORMATION RE-  
9 TURNS.—

10 (1) IN GENERAL.—Subsections (a)(1),  
11 (b)(1)(A), and (b)(2)(A) of section 6721 are each  
12 amended by striking “\$50” and inserting “\$100”.

13 (2) AGGREGATE ANNUAL LIMITATION.—Sub-  
14 sections (a)(1), (d)(1)(A), and (e)(3)(A) of section  
15 6721 are each amended by striking “\$250,000” and  
16 inserting “\$600,000”.

17 (b) REDUCTION WHERE CORRECTION WITHIN 30  
18 DAYS.—

19 (1) IN GENERAL.—Subparagraph (A) of section  
20 6721(b)(1) is amended by striking “\$15” and insert-  
21 ing “\$25”.

22 (2) AGGREGATE ANNUAL LIMITATION.—Sub-  
23 sections (b)(1)(B) and (d)(1)(B) of section 6721 are  
24 each amended by striking “\$75,000” and inserting  
25 “\$200,000”.

1 (c) REDUCTION WHERE CORRECTION ON OR BEFORE  
2 AUGUST 1.—

3 (1) IN GENERAL.—Subparagraph (A) of section  
4 6721(b)(2) is amended by striking “\$30” and insert-  
5 ing “\$60”.

6 (2) AGGREGATE ANNUAL LIMITATION.—Sub-  
7 sections (b)(2)(B) and (d)(1)(C) of section 6721 are  
8 each amended by striking “\$150,000” and inserting  
9 “\$400,000”.

10 (d) AGGREGATE ANNUAL LIMITATIONS FOR PER-  
11 SONS WITH GROSS RECEIPTS OF NOT MORE THAN  
12 \$5,000,000.—Paragraph (1) of section 6721(d) is amend-  
13 ed—

14 (1) by striking “\$100,000” in subparagraph  
15 (A) and inserting “\$250,000”,

16 (2) by striking “\$25,000” in subparagraph (B)  
17 and inserting “\$75,000”, and

18 (3) by striking “\$50,000” in subparagraph (C)  
19 and inserting “\$150,000”.

20 (e) PENALTY IN CASE OF INTENTIONAL DIS-  
21 REGARD.—Paragraph (2) of section 6721(e) is amended  
22 by striking “\$100” and inserting “\$250”.

23 (f) FAILURE TO FURNISH CORRECT PAYEE STATE-  
24 MENTS.—



1       (b) EFFECTIVE DATE.—The amendment made by  
2 this section shall apply to returns the due date for the  
3 filing of which (including extensions) is after December  
4 31, 2007.

        Passed the House of Representatives November 6,  
2007.

Attest:

*Clerk.*



110<sup>TH</sup> CONGRESS  
1<sup>ST</sup> SESSION

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**H. R. 3997**

**AN ACT**

To amend the Internal Revenue Code of 1986 to provide earnings assistance and tax relief to members of the uniformed services, volunteer firefighters, and Peace Corps volunteers, and for other purposes.