

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.—

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) DIFFICULT DEVELOPMENT AREA.—

19 “(A) IN GENERAL.—For purposes of sec-  
20 tion 42, in the case of property placed in service  
21 during 2006, 2007, or 2008, the Gulf Oppor-  
22 tunity Zone—

23 “(i) shall be treated as a difficult de-  
24 velopment area designated under subclause  
25 (I) of section 42(d)(5)(C)(iii), and

1                   “(ii) shall not be taken into account  
2                   for purposes of applying the limitation  
3                   under subclause (II) of such section.

4                   “(B) APPLICATION.—Subparagraph (A)  
5                   shall apply only to—

6                   “(i) housing credit dollar amounts al-  
7                   located during the period beginning on  
8                   January 1, 2006, and ending on December  
9                   31, 2008, and

10                   “(ii) buildings placed in service during  
11                   such period to the extent that paragraph  
12                   (1) of section 42(h) does not apply to any  
13                   building by reason of paragraph (4) there-  
14                   of, but only with respect to bonds issued  
15                   after December 31, 2005.

16                   “(3) SPECIAL RULE FOR APPLYING INCOME  
17                   TESTS.—In the case of property placed in service—

18                   “(A) during 2006, 2007, or 2008,

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

20                   “(C) in a nonmetropolitan area (as defined  
21                   in section 42(d)(5)(C)(iv)(IV)),

22                   section 42 shall be applied by substituting ‘national  
23                   nonmetropolitan median gross income (determined  
24                   under rules similar to the rules of section

1 142(d)(2)(B))’ for ‘area median gross income’ in  
2 subparagraphs (A) and (B) of section 42(g)(1).

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

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

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

10 “(A) the depreciation deduction provided  
11 by section 167(a) for the taxable year in which  
12 such property is placed in service shall include  
13 an allowance equal to 50 percent of the ad-  
14 justed basis of such property, and

15 “(B) the adjusted basis of the qualified  
16 Gulf Opportunity Zone property shall be re-  
17 duced by the amount of such deduction before  
18 computing the amount otherwise allowable as a  
19 depreciation deduction under this chapter for  
20 such taxable year and any subsequent taxable  
21 year.

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

1           “(A) IN GENERAL.—The term ‘qualified  
2 Gulf Opportunity Zone property’ means  
3 property—

4           “(i)(I) which is described in section  
5 168(k)(2)(A)(i), or

6           “(II) which is nonresidential real  
7 property or residential rental property,

8           “(ii) substantially all of the use of  
9 which is in the Gulf Opportunity Zone and  
10 is in the active conduct of a trade or busi-  
11 ness by the taxpayer in such Zone,

12           “(iii) the original use of which in the  
13 Gulf Opportunity Zone commences with  
14 the taxpayer on or after August 28, 2005,

15           “(iv) which is acquired by the tax-  
16 payer by purchase (as defined in section  
17 179(d)) on or after August 28, 2005, but  
18 only if no written binding contract for the  
19 acquisition was in effect before August 28,  
20 2005, and

21           “(v) which is placed in service by the  
22 taxpayer on or before December 31, 2007  
23 (December 31, 2008, in the case of non-  
24 residential real property and residential  
25 rental property).

1 “(B) EXCEPTIONS.—

2 “(i) ALTERNATIVE DEPRECIATION  
3 PROPERTY.—Such term shall not include  
4 any property described in section  
5 168(k)(2)(D)(i).

6 “(ii) TAX-EXEMPT BOND-FINANCED  
7 PROPERTY.—Such term shall not include  
8 any property any portion of which is fi-  
9 nanced with the proceeds of any obligation  
10 the interest on which is exempt from tax  
11 under section 103.

12 “(iii) QUALIFIED REVITALIZATION  
13 BUILDINGS.—Such term shall not include  
14 any qualified revitalization building with  
15 respect to which the taxpayer has elected  
16 the application of paragraph (1) or (2) of  
17 section 1400I(a).

18 “(iv) ELECTION OUT.—If a taxpayer  
19 makes an election under this clause with  
20 respect to any class of property for any  
21 taxable year, this subsection shall not  
22 apply to all property in such class placed  
23 in service during such taxable year.

24 “(3) SPECIAL RULES.—For purposes of this  
25 subsection, rules similar to the rules of subpara-

1 graph (E) of section 168(k)(2) shall apply, except  
2 that such subparagraph shall be applied—

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

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

8 “(C) by substituting ‘qualified Gulf Oppor-  
9 tunity Zone property’ for ‘qualified property’ in  
10 clause (iv) thereof.

11 “(4) ALLOWANCE AGAINST ALTERNATIVE MIN-  
12 IMUM TAX.—For purposes of this subsection, rules  
13 similar to the rules of section 168(k)(2)(G) shall  
14 apply.

15 “(5) RECAPTURE.—For purposes of this sub-  
16 section, rules similar to the rules under section  
17 179(d)(10) shall apply with respect to any qualified  
18 Gulf Opportunity Zone property which ceases to be  
19 qualified Gulf Opportunity Zone property.

20 “(e) INCREASE IN EXPENSING UNDER SECTION  
21 179.—

22 “(1) IN GENERAL.—For purposes of section  
23 179—

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

4                       “(i) \$100,000, or

5                       “(ii) the cost of qualified section 179  
6           Gulf Opportunity Zone property placed in  
7           service during the taxable year, and

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

11                      “(i) \$600,000, or

12                      “(ii) the cost of qualified section 179  
13          Gulf Opportunity Zone property placed in  
14          service during the taxable year.

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

22           “(3) COORDINATION WITH EMPOWERMENT  
23          ZONES AND RENEWAL COMMUNITIES.—For purposes  
24          of sections 1397A and 1400J, qualified section 179  
25          Gulf Opportunity Zone property shall not be treated

1 as qualified zone property or qualified renewal prop-  
2 erty, unless the taxpayer elects not to take such  
3 qualified section 179 Gulf Opportunity Zone prop-  
4 erty into account for purposes of this subsection.

5 “(4) RECAPTURE.—For purposes of this sub-  
6 section, rules similar to the rules under section  
7 179(d)(10) shall apply with respect to any qualified  
8 section 179 Gulf Opportunity Zone property which  
9 ceases to be qualified section 179 Gulf Opportunity  
10 Zone property.

11 “(f) EXPENSING FOR CERTAIN DEMOLITION AND  
12 CLEAN-UP COSTS.—

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

19 “(2) QUALIFIED GULF OPPORTUNITY ZONE  
20 CLEAN-UP COST.—For purposes of this subsection,  
21 the term ‘qualified Gulf Opportunity Zone clean-up  
22 cost’ means any amount paid or incurred during the  
23 period beginning on August 28, 2005, and ending on  
24 December 31, 2007, for the removal of debris from,  
25 or the demolition of structures on, real property

1 which is located in the Gulf Opportunity Zone and  
2 which is—

3 “(A) held by the taxpayer for use in a  
4 trade or business or for the production of in-  
5 come, or

6 “(B) property described in section  
7 1221(a)(1) in the hands of the taxpayer.

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

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

20 “(1) in the case of expenditures paid or in-  
21 curred on or after August 28, 2005, and before Jan-  
22 uary 1, 2008, by substituting ‘December 31, 2007’  
23 for the date contained in section 198(h), and

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

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

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

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

17          “(i) SPECIAL RULES FOR SMALL TIMBER PRO-  
18          DUCERS.—

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

1 under subparagraph (B) of section 194(b)(1) shall  
2 be increased by the lesser of—

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

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

11 “(2) 5 YEAR NOL CARRYBACK OF CERTAIN TIM-  
12 BER LOSSES.—For purposes of determining any  
13 farming loss under section 172(i), income and de-  
14 ductions which are allocable to the specified portion  
15 of the taxable year and which are attributable to  
16 qualified timber property any portion of which is lo-  
17 cated in the Gulf Opportunity Zone, in that portion  
18 of the Rita GO Zone which is not part of the Gulf  
19 Opportunity Zone, or in the Wilma GO Zone shall  
20 be treated as attributable to farming businesses.

21 “(3) RULES NOT APPLICABLE TO CERTAIN EN-  
22 TITIES.—Paragraphs (1) and (2) shall not apply to  
23 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 ju-  
 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 (b) CONFORMING AMENDMENTS.—

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

10 (2) Subparagraph (A) of section 6049(d)(8) is  
 11 amended—

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

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

16 (3) So much of subchapter Y of chapter 1 as  
 17 precedes section 1400L is amended to read as fol-  
 18 lows:

19 **“Subchapter Y—Short-Term Regional**  
 20 **Benefits**

“PART I—TAX BENEFITS FOR NEW YORK LIBERTY ZONE

“PART II—TAX BENEFITS FOR GO ZONES

21 **“PART I—TAX BENEFITS FOR NEW YORK LIBERTY**  
 22 **ZONE**

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

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

          “SUBCHAPTER Y—SHORT-TERM REGIONAL BENEFITS”.

4           (c) EFFECTIVE DATE.—

5           (1) IN GENERAL.—Except as provided in para-  
6 graph (2), the amendments made by this section  
7 shall apply to taxable years ending on or after Au-  
8 gust 28, 2005.

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

13 **SEC. 102. EXPANSION OF HOPE SCHOLARSHIP AND LIFE-**  
14 **TIME LEARNING CREDIT FOR STUDENTS IN**  
15 **THE GULF OPPORTUNITY ZONE.**

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

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

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

24           “(1) in applying section 25A, the term ‘quali-  
25 fied tuition and related expenses’ shall include any

1 costs which are qualified higher education expenses  
2 (as defined in section 529(e)(3)),

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

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

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

“Sec. 1400O.Education tax benefits.”.

12 **SEC. 103. HOUSING RELIEF FOR INDIVIDUALS AFFECTED**  
13 **BY HURRICANE KATRINA.**

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

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

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

20 “(1) IN GENERAL.—Gross income of a qualified  
21 employee shall not include the value of any lodging  
22 furnished in-kind to such employee (and such em-  
23 ployee’s spouse or any of such employee’s depend-  
24 ents) by or on behalf of a qualified employer for any  
25 month during the taxable year.

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

5           “(3) TREATMENT OF EXCLUSION.—The exclu-  
6           sion under paragraph (1) shall be treated as an ex-  
7           clusion under section 119 (other than for purposes  
8           of sections 3121(a)(19) and 3306(b)(14)).

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

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

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

23                 “(2) who performs substantially all employment  
24                 services—

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

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

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

7           “(e) CERTAIN RULES TO APPLY.—For purposes of  
8 this subsection, rules similar to the rules of sections  
9 51(i)(1) and 52 shall apply.

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

12                   “(1) beginning on the first day of the first  
13 month beginning after the date of the enactment of  
14 this section, and

15                   “(2) ending on the date which is 6 months after  
16 the date described in paragraph (1).”.

17          (b) CONFORMING AMENDMENTS.—

18                   (1) Subsection (b) of section 38 is amended by  
19 striking “and” at the end of paragraph (25), by  
20 striking the period at the end of paragraph (26) and  
21 inserting “, and”, and by adding at the end the fol-  
22 lowing new paragraphs:

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

1           (2) Section 280C(a) is amended by striking  
2           “and 1396(a)” and inserting “1396(a), and  
3           1400P(b)”.

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

          “Sec. 1400P.Housing tax benefits.”.

7   **SEC. 104. EXTENSION OF SPECIAL RULES FOR MORTGAGE**  
8                           **REVENUE BONDS.**

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

12   **SEC. 105. SPECIAL EXTENSION OF BONUS DEPRECIATION**  
13                           **PLACED IN SERVICE DATE FOR TAXPAYERS**  
14                           **AFFECTED BY HURRICANES KATRINA, RITA,**  
15                           **AND WILMA.**

16          In applying the rule under section 168(k)(2)(A)(iv)  
17          of the Internal Revenue Code of 1986 to any property de-  
18          scribed in subparagraph (B) or (C) of section 168(k)(2)  
19          of such Code—

20               (1) the placement in service of which—

21                       (A) is to be located in the GO Zone (as de-  
22                       fined in section 1400M(1) of such Code), the  
23                       Rita GO Zone (as defined in section 1400M(3)  
24                       of such Code), or the Wilma GO Zone (as de-  
25                       fined in section 1400M(5) of such Code), and

1 (B) is to be made by any taxpayer affected  
2 by Hurricane Katrina, Rita, or Wilma, or  
3 (2) which is manufactured in such Zone by any  
4 person affected by Hurricane Katrina, Rita, or  
5 Wilma,  
6 the Secretary of the Treasury may, on a taxpayer by tax-  
7 payer basis, extend the required date of the placement in  
8 service of such property under such section by such period  
9 of time as is determined necessary by the Secretary but  
10 not to exceed 1 year. For purposes of the preceding sen-  
11 tence, the determination shall be made by only taking into  
12 account the effect of one or more hurricanes on the date  
13 of such placement by the taxpayer.

14 **TITLE II—TAX BENEFITS RE-**  
15 **LATED TO HURRICANES RITA**  
16 **AND WILMA**

17 **SEC. 201. EXTENSION OF CERTAIN EMERGENCY TAX RE-**  
18 **LIEF FOR HURRICANE KATRINA TO HURRI-**  
19 **CANES RITA AND WILMA.**

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

1 **“SEC. 1400Q. SPECIAL RULES FOR USE OF RETIREMENT**  
2 **FUNDS.**

3 “(a) TAX-FAVORED WITHDRAWALS FROM RETIRE-  
4 MENT PLANS.—

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

7 “(2) AGGREGATE DOLLAR LIMITATION.—

8 “(A) IN GENERAL.—For purposes of this  
9 subsection, the aggregate amount of distribu-  
10 tions received by an individual which may be  
11 treated as qualified hurricane distributions for  
12 any taxable year shall not exceed the excess (if  
13 any) of—

14 “(i) \$100,000, over

15 “(ii) the aggregate amounts treated as  
16 qualified hurricane distributions received  
17 by such individual for all prior taxable  
18 years.

19 “(B) TREATMENT OF PLAN DISTRIBUTIONS.—If a distribution to an individual would  
20 (without regard to subparagraph (A)) be a  
21 qualified hurricane distribution, a plan shall not  
22 be treated as violating any requirement of this  
23 title merely because the plan treats such dis-  
24 tribution as a qualified hurricane distribution,  
25 unless the aggregate amount of such distribu-  
26

1 tions from all plans maintained by the employer  
2 (and any member of any controlled group which  
3 includes the employer) to such individual ex-  
4 ceeds \$100,000.

5 “(C) CONTROLLED GROUP.—For purposes  
6 of subparagraph (B), the term ‘controlled  
7 group’ means any group treated as a single em-  
8 ployer under subsection (b), (c), (m), or (o) of  
9 section 414.

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

11 “(A) IN GENERAL.—Any individual who  
12 receives a qualified hurricane distribution may,  
13 at any time during the 3-year period beginning  
14 on the day after the date on which such dis-  
15 tribution was received, make one or more con-  
16 tributions in an aggregate amount not to exceed  
17 the amount of such distribution to an eligible  
18 retirement plan of which such individual is a  
19 beneficiary and to which a rollover contribution  
20 of such distribution could be made under sec-  
21 tion 402(c), 403(a)(4), 403(b)(8), 408(d)(3), or  
22 457(e)(16), as the case may be.

23 “(B) TREATMENT OF REPAYMENTS OF  
24 DISTRIBUTIONS FROM ELIGIBLE RETIREMENT  
25 PLANS OTHER THAN IRAS.—For purposes of

1           this title, if a contribution is made pursuant to  
2           subparagraph (A) with respect to a qualified  
3           hurricane distribution from an eligible retire-  
4           ment plan other than an individual retirement  
5           plan, then the taxpayer shall, to the extent of  
6           the amount of the contribution, be treated as  
7           having received the qualified hurricane distribu-  
8           tion in an eligible rollover distribution (as de-  
9           fined in section 402(c)(4)) and as having trans-  
10          ferred the amount to the eligible retirement  
11          plan in a direct trustee to trustee transfer with-  
12          in 60 days of the distribution.

13                 “(C) TREATMENT OF REPAYMENTS FOR  
14                 DISTRIBUTIONS FROM IRAS.—For purposes of  
15                 this title, if a contribution is made pursuant to  
16                 subparagraph (A) with respect to a qualified  
17                 hurricane distribution from an individual retire-  
18                 ment plan (as defined by section 7701(a)(37)),  
19                 then, to the extent of the amount of the con-  
20                 tribution, the qualified hurricane distribution  
21                 shall be treated as a distribution described in  
22                 section 408(d)(3) and as having been trans-  
23                 ferred to the eligible retirement plan in a direct  
24                 trustee to trustee transfer within 60 days of the  
25                 distribution.

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

3           “(A) QUALIFIED HURRICANE DISTRIBUTION.—Except as provided in paragraph (2),  
4 the term ‘qualified hurricane distribution’  
5 means—  
6

7           “(i) any distribution from an eligible  
8 retirement plan made on or after August  
9 25, 2005, and before January 1, 2007, to  
10 an individual whose principal place of  
11 abode on August 28, 2005, is located in  
12 the Hurricane Katrina disaster area and  
13 who has sustained an economic loss by rea-  
14 son of Hurricane Katrina,

15           “(ii) any distribution (which is not de-  
16 scribed in clause (i)) from an eligible re-  
17 tirement plan made on or after September  
18 23, 2005, and before January 1, 2007, to  
19 an individual whose principal place of  
20 abode on September 23, 2005, is located in  
21 the Hurricane Rita disaster area and who  
22 has sustained an economic loss by reason  
23 of Hurricane Rita, and

24           “(iii) any distribution (which is not  
25 described in clause (i) or (ii)) from an eli-

1           gible retirement plan made on or after Oc-  
2           tober 23, 2005, and before January 1,  
3           2007, to an individual whose principal  
4           place of abode on October 23, 2005, is lo-  
5           cated in the Hurricane Wilma disaster  
6           area and who has sustained an economic  
7           loss by reason of Hurricane Wilma.

8           “(B) ELIGIBLE RETIREMENT PLAN.—The  
9           term ‘eligible retirement plan’ shall have the  
10          meaning given such term by section  
11          402(c)(8)(B).

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

14          “(A) IN GENERAL.—In the case of any  
15          qualified hurricane distribution, unless the tax-  
16          payer elects not to have this paragraph apply  
17          for any taxable year, any amount required to be  
18          included in gross income for such taxable year  
19          shall be so included ratably over the 3-taxable  
20          year period beginning with such taxable year.

21          “(B) SPECIAL RULE.—For purposes of  
22          subparagraph (A), rules similar to the rules of  
23          subparagraph (E) of section 408A(d)(3) shall  
24          apply.

25          “(6) SPECIAL RULES.—

1           “(A) EXEMPTION OF DISTRIBUTIONS FROM  
2 TRUSTEE TO TRUSTEE TRANSFER AND WITH-  
3 HOLDING RULES.—For purposes of sections  
4 401(a)(31), 402(f), and 3405, qualified hurri-  
5 cane distributions shall not be treated as eligi-  
6 ble rollover distributions.

7           “(B) QUALIFIED HURRICANE DISTRIBUTIONS TREATED AS MEETING PLAN DISTRIBUTION REQUIREMENTS.—For purposes this title,  
8 a qualified hurricane distribution shall be treat-  
9 ed as meeting the requirements of sections  
10 401(k)(2)(B)(i), 403(b)(7)(A)(ii), 403(b)(11),  
11 and 457(d)(1)(A).

12           “(b) RECONTRIBUTIONS OF WITHDRAWALS FOR  
13 HOME PURCHASES.—

14           “(1) RECONTRIBUTIONS.—

15           “(A) IN GENERAL.—Any individual who  
16 received a qualified distribution may, during the  
17 applicable period, make one or more contribu-  
18 tions in an aggregate amount not to exceed the  
19 amount of such qualified distribution to an eli-  
20 gible retirement plan (as defined in section  
21 402(c)(8)(B)) of which such individual is a ben-  
22 eficiary and to which a rollover contribution of  
23 such distribution could be made under section  
24  
25

1 402(c), 403(a)(4), 403(b)(8), or 408(d)(3), as  
2 the case may be.

3 “(B) TREATMENT OF REPAYMENTS.—  
4 Rules similar to the rules of subparagraphs (B)  
5 and (C) of subsection (a)(3) shall apply for pur-  
6 poses of this subsection.

7 “(2) QUALIFIED DISTRIBUTION.—For purposes  
8 of this subsection—

9 “(A) IN GENERAL.—The term ‘qualified  
10 distribution’ means any qualified Katrina dis-  
11 tribution, any qualified Rita distribution, and  
12 any qualified Wilma distribution.

13 “(B) QUALIFIED KATRINA DISTRIBUTION.—The term ‘qualified Katrina distribu-  
14 tion’ means any 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 August 29, 2005, and

22 “(iii) which was to be used to pur-  
23 chase or construct a principal residence in  
24 the Hurricane Katrina disaster area, but  
25

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

3           “(C) QUALIFIED RITA DISTRIBUTION.—  
4           The term ‘qualified Rita distribution’ means  
5           any distribution (other than a qualified Katrina  
6           distribution)—

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

12                  “(ii)       received after February 28,  
13                  2005, and before September 24, 2005, and

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

19           “(D) QUALIFIED WILMA DISTRIBUTION.—  
20           The term ‘qualified Wilma distribution’ means  
21           any distribution (other than a qualified Katrina  
22           distribution or a qualified Rita distribution)—

23                   “(i)       described       in       section  
24                   401(k)(2)(B)(i)(IV), 403(b)(7)(A)(ii) (but  
25                   only to the extent such distribution relates

1 to financial hardship), 403(b)(11)(B), or  
2 72(t)(2)(F),

3 “(ii) received after February 28,  
4 2005, and before October 24, 2005, and

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

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

12 “(A) with respect to any qualified Katrina  
13 distribution, the period beginning on August  
14 25, 2005, and ending on February 28, 2006,

15 “(B) with respect to any qualified Rita dis-  
16 tribution, the period beginning on September  
17 23, 2005, and ending on February 28, 2006,  
18 and

19 “(C) with respect to any qualified Wilma  
20 distribution, the period beginning on October  
21 23, 2005, and ending on February 28, 2006.

22 “(c) LOANS FROM QUALIFIED PLANS.—

23 “(1) INCREASE IN LIMIT ON LOANS NOT TREAT-  
24 ED AS DISTRIBUTIONS.—In the case of any loan  
25 from a qualified employer plan (as defined under

1 section 72(p)(4)) to a qualified individual made dur-  
2 ing the applicable period—

3 “(A) clause (i) of section 72(p)(2)(A) shall  
4 be applied by substituting ‘\$100,000’ for  
5 ‘\$50,000’, and

6 “(B) clause (ii) of such section shall be ap-  
7 plied by substituting ‘the present value of the  
8 nonforfeitable accrued benefit of the employee  
9 under the plan’ for ‘one-half of the present  
10 value of the nonforfeitable accrued benefit of  
11 the employee under the plan’.

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

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

22 “(B) any subsequent repayments with re-  
23 spect to any such loan shall be appropriately  
24 adjusted to reflect the delay in the due date

1 under paragraph (1) and any interest accruing  
2 during such delay, and

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

7 “(3) QUALIFIED INDIVIDUAL.—For purposes of  
8 this subsection—

9 “(A) IN GENERAL.—The term ‘qualified  
10 individual’ means any qualified Hurricane  
11 Katrina individual, any qualified Hurricane  
12 Rita individual, and any qualified Hurricane  
13 Wilma individual.

14 “(B) QUALIFIED HURRICANE KATRINA IN-  
15 DIVIDUAL.—The term ‘qualified Hurricane  
16 Katrina individual’ means an individual whose  
17 principal place of abode on August 28, 2005, is  
18 located in the Hurricane Katrina disaster area  
19 and who has sustained an economic loss by rea-  
20 son of Hurricane Katrina.

21 “(C) QUALIFIED HURRICANE RITA INDI-  
22 VIDUAL.—The term ‘qualified Hurricane Rita  
23 individual’ means an individual (other than a  
24 qualified Hurricane Katrina individual) whose  
25 principal place of abode on September 23,

1           2005, is located in the Hurricane Rita disaster  
2           area and who has sustained an economic loss by  
3           reason of Hurricane Rita.

4           “(D) QUALIFIED HURRICANE WILMA INDI-  
5           VIDUAL.—The term ‘qualified Hurricane Wilma  
6           individual’ means an individual (other than a  
7           qualified Hurricane Katrina individual or a  
8           qualified Hurricane Rita individual) whose prin-  
9           cipal place of abode on October 23, 2005, is lo-  
10          cated in the Hurricane Wilma disaster area and  
11          who has sustained an economic loss by reason  
12          of Hurricane Wilma.

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

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

17                  “(i) the applicable period is the period  
18                  beginning on September 24, 2005, and  
19                  ending on December 31, 2006, and

20                  “(ii) the qualified beginning date is  
21                  August 25, 2005.

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

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

1           this subsection and ending on December  
2           31, 2006, and

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

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

7                   “(i) the applicable period is the period  
8           beginning on the date of the enactment of  
9           this subparagraph and ending on Decem-  
10          ber 31, 2006, and

11                   “(ii) the qualified beginning date is  
12          October 23, 2005.

13          “(d) PROVISIONS RELATING TO PLAN AMEND-  
14          MENTS.—

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

20                   “(2) AMENDMENTS TO WHICH SUBSECTION AP-  
21          PLIES.—

22                   “(A) IN GENERAL.—This subsection shall  
23          apply to any amendment to any plan or annuity  
24          contract which is made—

1           “(i) pursuant to any provision of this  
2           section, or pursuant to any regulation  
3           issued by the Secretary or the Secretary of  
4           Labor under any provision of this section,  
5           and

6           “(ii) on or before the last day of the  
7           first plan year beginning on or after Janu-  
8           ary 1, 2007, or such later date as the Sec-  
9           retary may prescribe.

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

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

16           “(i) during the period—

17           “(I) beginning on the date that  
18           this section or the regulation de-  
19           scribed in subparagraph (A)(i) takes  
20           effect (or in the case of a plan or con-  
21           tract amendment not required by this  
22           section or such regulation, the effec-  
23           tive date specified by the plan), and

24           “(II) ending on the date de-  
25           scribed in subparagraph (A)(ii) (or, if

1 earlier, the date the plan or contract  
2 amendment is adopted),  
3 the plan or contract is operated as if such  
4 plan or contract amendment were in effect;  
5 and  
6 “(ii) such plan or contract amendment  
7 applies retroactively for such period.

8 **“SEC. 1400R. EMPLOYMENT RELIEF.**

9 “(a) **EMPLOYEE RETENTION CREDIT FOR EMPLOY-**  
10 **ERS AFFECTED BY HURRICANE KATRINA.—**

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

20 “(2) **DEFINITIONS.—**For purposes of this  
21 subsection—

22 “(A) **ELIGIBLE EMPLOYER.—**The term ‘eli-  
23 gible employer’ means any employer—

1           “(i) which conducted an active trade  
2           or business on August 28, 2005, in the GO  
3           Zone, and

4           “(ii) with respect to whom the trade  
5           or business described in clause (i) is inop-  
6           erable on any day after August 28, 2005,  
7           and before January 1, 2006, as a result of  
8           damage sustained by reason of Hurricane  
9           Katrina.

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

15           “(C) QUALIFIED WAGES.—The term  
16           ‘qualified wages’ means wages (as defined in  
17           section 51(c)(1), but without regard to section  
18           3306(b)(2)(B)) paid or incurred by an eligible  
19           employer with respect to an eligible employee on  
20           any day after August 28, 2005, and before Jan-  
21           uary 1, 2006, which occurs during the period—

22           “(i) beginning on the date on which  
23           the trade or business described in subpara-  
24           graph (A) first became inoperable at the  
25           principal place of employment of the em-

1           ployee immediately before Hurricane  
2           Katrina, and

3                   “(ii) ending on the date on which such  
4           trade or business has resumed significant  
5           operations at such principal place of em-  
6           ployment.

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

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

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

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

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

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

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

14                           “(i) which conducted an active trade  
15                           or business on September 23, 2005, in the  
16                           Rita GO Zone, and

17                           “(ii) with respect to whom the trade  
18                           or business described in clause (i) is inop-  
19                           erable on any day after September 23,  
20                           2005, and before January 1, 2006, as a re-  
21                           sult of damage sustained by reason of  
22                           Hurricane Rita.

23                   “(B) ELIGIBLE EMPLOYEE.—The term ‘eli-  
24                   gible employee’ means with respect to an eligi-  
25                   ble employer an employee whose principal place

1 of employment on September 23, 2005, with  
2 such eligible employer was in the Rita GO  
3 Zone.

4 “(C) QUALIFIED WAGES.—The term  
5 ‘qualified wages’ means wages (as defined in  
6 section 51(c)(1), but without regard to section  
7 3306(b)(2)(B)) paid or incurred by an eligible  
8 employer with respect to an eligible employee on  
9 any day after September 23, 2005, and before  
10 January 1, 2006, which occurs during the  
11 period—

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

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

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

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

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

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

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

16          “(1) IN GENERAL.—For purposes of section 38,  
17          in the case of an eligible employer, the Hurricane  
18          Wilma 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 October 23, 2005, in the  
7 Wilma 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 October 23, 2005,  
11 and before January 1, 2006, as a result of  
12 damage sustained by reason of Hurricane  
13 Wilma.

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 October 23, 2005, with such  
18 eligible employer was in the Wilma GO Zone.

19           “(C) QUALIFIED WAGES.—The term  
20 ‘qualified wages’ means wages (as defined in  
21 section 51(c)(1), but without regard to section  
22 3306(b)(2)(B)) paid or incurred by an eligible  
23 employer with respect to an eligible employee on  
24 any day after October 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  
8                   Wilma, 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 (b) or section 51 with respect to such em-  
4 ployee for such period.

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

6 “(a) TEMPORARY SUSPENSION OF LIMITATIONS ON  
7 CHARITABLE CONTRIBUTIONS.—

8 “(1) IN GENERAL.—Except as otherwise pro-  
9 vided in paragraph (2), section 170(b) shall not  
10 apply to qualified contributions and such contribu-  
11 tions shall not be taken into account for purposes of  
12 applying subsections (b) and (d) of section 170 to  
13 other contributions.

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

16 “(A) INDIVIDUALS.—In the case of an  
17 individual—

18 “(i) LIMITATION.—Any qualified con-  
19 tribution shall be allowed only to the ex-  
20 tent that the aggregate of such contribu-  
21 tions does not exceed the excess of the tax-  
22 payer’s contribution base (as defined in  
23 subparagraph (F) of section 170(b)(1))  
24 over the amount of all other charitable

1 contributions allowed under section  
2 170(b)(1).

3 “(ii) CARRYOVER.—If the aggregate  
4 amount of qualified contributions made in  
5 the contribution year (within the meaning  
6 of section 170(d)(1)) exceeds the limitation  
7 of clause (i), such excess shall be added to  
8 the excess described in the portion of sub-  
9 paragraph (A) of such section which pre-  
10 cedes clause (i) thereof for purposes of ap-  
11 plying such section.

12 “(B) CORPORATIONS.—In the case of a  
13 corporation—

14 “(i) LIMITATION.—Any qualified con-  
15 tribution shall be allowed only to the ex-  
16 tent that the aggregate of such contribu-  
17 tions does not exceed the excess of the tax-  
18 payer’s taxable income (as determined  
19 under paragraph (2) of section 170(b))  
20 over the amount of all other charitable  
21 contributions allowed under such para-  
22 graph.

23 “(ii) CARRYOVER.—Rules similar to  
24 the rules of subparagraph (A)(ii) shall  
25 apply for purposes of this subparagraph.

1           “(3) EXCEPTION TO OVERALL LIMITATION ON  
2 ITEMIZED DEDUCTIONS.—So much of any deduction  
3 allowed under section 170 as does not exceed the  
4 qualified contributions paid during the taxable year  
5 shall not be treated as an itemized deduction for  
6 purposes of section 68.

7           “(4) QUALIFIED CONTRIBUTIONS.—

8           “(A) IN GENERAL.—For purposes of this  
9 subsection, the term ‘qualified contribution’  
10 means any charitable contribution (as defined  
11 in section 170(c)) if—

12                   “(i) such contribution is paid during  
13 the period beginning on August 28, 2005,  
14 and ending on December 31, 2005, in cash  
15 to an organization described in section  
16 170(b)(1)(A) (other than an organization  
17 described in section 509(a)(3)),

18                   “(ii) in the case of a contribution paid  
19 by a corporation, such contribution is for  
20 relief efforts related to Hurricane Katrina,  
21 Hurricane Rita, or Hurricane Wilma, and

22                   “(iii) the taxpayer has elected the ap-  
23 plication of this subsection with respect to  
24 such contribution.

1           “(B) EXCEPTION.—Such term shall not in-  
2           clude a contribution if the contribution is for  
3           establishment of a new, or maintenance in an  
4           existing, segregated fund or account with re-  
5           spect to which the donor (or any person ap-  
6           pointed or designated by such donor) has, or  
7           reasonably expects to have, advisory privileges  
8           with respect to distributions or investments by  
9           reason of the donor’s status as a donor.

10           “(C) APPLICATION OF ELECTION TO PART-  
11           NERSHIPS AND S CORPORATIONS.—In the case  
12           of a partnership or S corporation, the election  
13           under subparagraph (A)(iii) shall be made sepa-  
14           rately by each partner or shareholder.

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

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

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

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

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

7           “(c) REQUIRED EXERCISE OF AUTHORITY UNDER  
8 SECTION 7508A.—In the case of any taxpayer determined  
9 by the Secretary to be affected by the Presidentially de-  
10 clared disaster relating to Hurricane Katrina, Hurricane  
11 Rita, or Hurricane Wilma, any relief provided by the Sec-  
12 retary under section 7508A shall be for a period ending  
13 not earlier than February 28, 2006.

14           “(d) SPECIAL RULE FOR DETERMINING EARNED IN-  
15 COME.—

16           “(1) IN GENERAL.—In the case of a qualified  
17 individual, if the earned income of the taxpayer for  
18 the taxable year which includes the applicable date  
19 is less than the earned income of the taxpayer for  
20 the preceding taxable year, the credits allowed under  
21 sections 24(d) and 32 may, at the election of the  
22 taxpayer, be determined by substituting—

23                   “(A) such earned income for the preceding  
24                   taxable year, for

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

3           “(2) QUALIFIED INDIVIDUAL.—For purposes of  
4           this subsection—

5           “(A) IN GENERAL.—The term ‘qualified  
6           individual’ means any qualified Hurricane  
7           Katrina individual, any qualified Hurricane  
8           Rita individual, and any qualified Hurricane  
9           Wilma individual.

10          “(B) QUALIFIED HURRICANE KATRINA IN-  
11          DIVIDUAL.—The term ‘qualified Hurricane  
12          Katrina individual’ means any individual whose  
13          principal place of abode on August 25, 2005,  
14          was located—

15                 “(i) in the GO Zone, or

16                 “(ii) in the Hurricane Katrina dis-  
17                 aster area (but outside the GO Zone) and  
18                 such individual was displaced from such  
19                 principal place of abode by reason of Hur-  
20                 ricane Katrina.

21          “(C) QUALIFIED HURRICANE RITA INDI-  
22          VIDUAL.—The term ‘qualified Hurricane Rita  
23          individual’ means any individual (other than a  
24          qualified Hurricane Katrina individual) whose

1 principal place of abode on September 23,  
2 2005, was located—

3 “(i) in the Rita GO Zone, or

4 “(ii) in the Hurricane Rita disaster  
5 area (but outside the Rita GO Zone) and  
6 such individual was displaced from such  
7 principal place of abode by reason of Hur-  
8 ricane Rita.

9 “(D) QUALIFIED HURRICANE WILMA INDI-  
10 VIDUAL.—The term ‘qualified Hurricane Wilma  
11 individual’ means any individual whose prin-  
12 cipal place of abode on October 23, 2005, was  
13 located—

14 “(i) in the Wilma GO Zone, or

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

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

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

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

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

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

6           “(5) SPECIAL RULES.—

7           “(A) APPLICATION TO JOINT RETURNS.—  
8           For purposes of paragraph (1), in the case of  
9           a joint return for a taxable year which includes  
10          the applicable date—

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

13                  “(ii) the earned income of the tax-  
14                  payer for the preceding taxable year shall  
15                  be the sum of the earned income of each  
16                  spouse for such preceding taxable year.

17           “(B) UNIFORM APPLICATION OF ELEC-  
18           TION.—Any election made under paragraph (1)  
19           shall apply with respect to both section 24(d)  
20           and section 32.

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



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

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

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

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

10          (b) CONFORMING AMENDMENTS.—

11           (1) Subsection (b) of section 38, as amended by  
12           this Act, is amended by striking “and” at the end  
13           of paragraph (26), by striking the period at the end  
14           of paragraph (27) and inserting a comma, and by  
15           adding at the end the following new paragraphs:

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

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

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

22           (2) Section 280C(a), as amended by this Act, is  
23           amended by striking “and 1400P(b)” and inserting  
24           “1400P(b), and 1400R”.

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

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

“Sec. 1400R. Employment relief.

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

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

7                   (A) Title I.

8                   (B) Sections 202, 301, 402, 403(b), 406,  
9                   and 407.

## 10       **TITLE III—OTHER PROVISIONS**

### 11       **SEC. 301. GULF COAST RECOVERY BONDS.**

12           It is the sense of the Congress that the Secretary of  
13           the Treasury, or the Secretary’s delegate, should designate  
14           one or more series of bonds or certificates (or any portion  
15           thereof) issued under section 3105 of title 31, United  
16           States Code, as “Gulf Coast Recovery Bonds” in response  
17           to Hurricanes Katrina, Rita, and Wilma.

### 18       **SEC. 302. ELECTION TO INCLUDE COMBAT PAY AS EARNED**

19                               **INCOME FOR PURPOSES OF EARNED INCOME**

20                               **CREDIT.**

21           (a) IN GENERAL.—Subclause (II) of section  
22           32(c)(2)(B)(vi) is amended by striking “January 1, 2006”  
23           and inserting “January 1, 2007”.

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

4 **SEC. 303. MODIFICATION OF EFFECTIVE DATE OF EXCEP-**  
5 **TION FROM SUSPENSION RULES FOR CER-**  
6 **TAIN LISTED AND REPORTABLE TRANS-**  
7 **ACTIONS.**

8 (a) EFFECTIVE DATE MODIFICATION.—

9 (1) IN GENERAL.—Paragraph (2) of section  
10 903(d) of the American Jobs Creation Act of 2004  
11 is amended to read as follows:

12 “(2) EXCEPTION FOR REPORTABLE OR LISTED  
13 TRANSACTIONS.—

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

17 “(B) SPECIAL RULE FOR CERTAIN LISTED  
18 AND REPORTABLE TRANSACTIONS.—

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

24 “(ii) PARTICIPANTS IN SETTLEMENT  
25 INITIATIVES.—Clause (i) shall not apply to

1 any transaction if, as of January 23,  
2 2006—

3 “(I) the taxpayer is participating  
4 in a settlement initiative described in  
5 Internal Revenue Service Announce-  
6 ment 2005-80 with respect to such  
7 transaction, or

8 “(II) the taxpayer has entered  
9 into a settlement agreement pursuant  
10 to such an initiative.

11 Subclause (I) shall not apply to any tax-  
12 payer if, after January 23, 2006, the tax-  
13 payer withdraws from, or terminates, par-  
14 ticipation in the initiative or the Secretary  
15 of the Treasury or the Secretary’s delegate  
16 determines that a settlement agreement  
17 will not be reached pursuant to the initia-  
18 tive within a reasonable period of time.

19 “(iii) TAXPAYERS ACTING IN GOOD  
20 FAITH.—The Secretary of the Treasury  
21 may except from the application of clause  
22 (i) any transaction in which the taxpayer  
23 has acted reasonably and in good faith.

1                   “(iv) CLOSED TRANSACTIONS.—  
2                   Clause (i) shall not apply to a transaction  
3                   if, as of December 14, 2005—

4                   “(I) the assessment of all Fed-  
5                   eral income taxes for the taxable year  
6                   in which the tax liability to which the  
7                   interest relates arose is prevented by  
8                   the operation of any law or rule of  
9                   law, or

10                   “(II) a closing agreement under  
11                   section 7121 has been entered into  
12                   with respect to the tax liability arising  
13                   in connection with the transaction.”.

14                   (2) EFFECTIVE DATE.—The amendment made  
15                   by this subsection shall take effect as if included in  
16                   the provisions of the American Jobs Creation Act of  
17                   2004 to which it relates.

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

20                   (1) IN GENERAL.—Section 6404(g)(1) (relating  
21                   to suspension) is amended by adding at the end the  
22                   following new sentence: “If, after the return for a  
23                   taxable year is filed, the taxpayer provides to the  
24                   Secretary 1 or more signed written documents show-  
25                   ing that the taxpayer owes an additional amount of

1 tax for the taxable year, clause (i) shall be applied  
2 by substituting the date the last of the documents  
3 was provided for the date on which the return is  
4 filed.”.

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

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

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

12 **SEC. 305. DISCLOSURES OF CERTAIN TAX RETURN INFOR-**  
13 **MATION.**

14 (a) DISCLOSURES TO FACILITATE COMBINED EM-  
15 PLOYMENT TAX REPORTING.—

16 (1) IN GENERAL.—Subparagraph (B) of section  
17 6103(d)(5) (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 disclosures after De-  
22 cember 31, 2005.

23 (b) DISCLOSURES RELATING TO TERRORIST ACTIVI-  
24 TIES.—

1           (1) IN GENERAL.—Clause (iv) of section  
2           6103(i)(3)(C) and subparagraph (E) of section  
3           6103(i)(7) are each amended by striking “December  
4           31, 2005” and inserting “December 31, 2006”.

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

8           (c) DISCLOSURES RELATING TO STUDENT LOANS.—

9           (1) IN GENERAL.—Subparagraph (D) of section  
10          6103(l)(13) (relating to termination) is amended by  
11          striking “December 31, 2005” and inserting “De-  
12          cember 31, 2006”.

13          (2) EFFECTIVE DATE.—The amendment made  
14          by paragraph (1) shall apply to requests made after  
15          December 31, 2005.

## 16                   **TITLE IV—TECHNICALS**

### 17                   **Subtitle A—Tax Technicals**

#### 18   **SEC. 401. SHORT TITLE.**

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

#### 21   **SEC. 402. AMENDMENTS RELATED TO ENERGY POLICY ACT** 22                   **OF 2005.**

23          (a) AMENDMENTS RELATED TO SECTION 1263.—

24           (1) Part VI of subchapter O of chapter 1 is re-  
25          pealed.

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

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

7           (4) Section 246(c)(3)(B) is amended by striking  
8           “paragraph (4) of section 1223” and inserting  
9           “paragraph (3) of section 1223”.

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

13          (6)(A) Section 1245(b) is amended by striking  
14          paragraph (5) and redesignating paragraphs (6)  
15          through (9) as paragraphs (5) through (8), respec-  
16          tively.

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

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

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

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

5 (c) AMENDMENTS RELATED TO SECTION 1303.—

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

10 (2) Subsection (e) of section 1303 of the En-  
11 ergy Policy Act of 2005 is amended to read as fol-  
12 lows:

13 “(e) EFFECTIVE DATES.—

14 “(1) IN GENERAL.—Except as provided in para-  
15 graph (2), the amendments made by this section  
16 shall apply to bonds issued after December 31,  
17 2005.

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

21 (d) AMENDMENTS RELATED TO SECTION 1306.—

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

24 “(2) PHASEOUT OF CREDIT.—

1           “(A) IN GENERAL.—The amount of the  
2 credit determined under subsection (a) shall be  
3 reduced by an amount which bears the same  
4 ratio to the amount of the credit (determined  
5 without regard to this paragraph) as—

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

10           “(ii) 3 cents.

11           “(B) PHASEOUT ADJUSTMENT BASED ON  
12 INFLATION.—The 8 cent amount in subpara-  
13 graph (A) shall be adjusted by multiplying such  
14 amount by the inflation adjustment factor (as  
15 defined in section 45(e)(2)(B)) for the calendar  
16 year in which the sale occurs. If any amount as  
17 increased under the preceding sentence is not a  
18 multiple of 0.1 cent, such amount shall be  
19 rounded to the nearest multiple of 0.1 cent.”.

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

22           (e) AMENDMENT RELATED TO SECTION 1309.—Sub-  
23 paragraph (B) of section 169(d)(5) is amended by adding  
24 at beginning thereof “in the case of facility placed in serv-

1 ice in connection with a plant or other property placed  
2 in operation after December 31, 1975.”.

3 (f) AMENDMENTS RELATED TO SECTION 1311.—

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

6 “(i) IN GENERAL.—At the election of  
7 the taxpayer for any taxable year ending  
8 after December 31, 2005, and before Jan-  
9 uary 1, 2009, in the case of a net oper-  
10 ating loss for a taxable year ending after  
11 December 31, 2002, and before January 1,  
12 2006, there shall be a net operating loss  
13 carryback to each of the 5 taxable years  
14 preceding the taxable year of such loss to  
15 the extent that such loss does not exceed  
16 20 percent of the sum of the electric trans-  
17 mission property capital expenditures and  
18 the pollution control facility capital ex-  
19 penditures of the taxpayer for the taxable  
20 year preceding the taxable year for which  
21 such election is made.”.

22 (2) Clause (ii) of section 172(b)(1)(I) is amend-  
23 ed by striking “in a taxable year” and inserting “for  
24 a taxable year”.

1           (3) Subparagraph (I) of section 172(b)(1) is  
2           amended by striking clause (iv) and (v), by redesignig-  
3           nating clause (vi) as clause (v), and by inserting  
4           after clause (iii) the following:

5                       “(iv) SPECIAL RULES RELATING TO  
6                       CREDIT OR REFUND.—In the case of the  
7                       portion of the loss which is carried back 5  
8                       years by reason of clause (i)—

9                               “(I) an application under section  
10                              6411(a) with respect to such portion  
11                              shall not fail to be treated as timely  
12                              filed if filed within 24 months after  
13                              the due date specified under such sec-  
14                              tion, and

15                             “(II) references in sections  
16                             6501(h), 6511(d)(2)(A), and  
17                             6611(f)(1) to the taxable year in  
18                             which such net operating loss arises  
19                             or results in a net operating loss  
20                             carryback shall be treated as ref-  
21                             erences to the taxable year for which  
22                             such election is made.”.

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

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

4 (i) AMENDMENTS RELATED TO SECTION 1335.—

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

8 (2) Subparagraphs (A) and (B) of section  
9 25D(e)(4) are amended to read as follows:

10 “(A) MAXIMUM EXPENDITURES.—The  
11 maximum amount of expenditures which may  
12 be taken into account under subsection (a) by  
13 all such individuals with respect to such dwell-  
14 ing unit during such calendar year shall be—

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

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

20 “(iii) \$1,667 in the case of each half  
21 kilowatt of capacity of qualified fuel cell  
22 property (as defined in section 48(c)(1))  
23 for which qualified fuel cell property ex-  
24 penditures are made.

1                   “(B) ALLOCATION OF EXPENDITURES.—

2                   The expenditures allocated to any individual for  
3                   the taxable year in which such calendar year  
4                   ends shall be an amount equal to the lesser  
5                   of—

6                                 “(i) the amount of expenditures made  
7                                 by such individual with respect to such  
8                                 dwelling during such calendar year, or

9                                 “(ii) the maximum amount of such ex-  
10                                penditures set forth in subparagraph (A)  
11                                multiplied by a fraction—

12   “(I) the numerator of which is  
13   the amount of such expenditures with  
14   respect to such dwelling made by such  
15   individual during such calendar year,  
16   and

17   “(II) the denominator of which is  
18   the total expenditures made by all  
19   such individuals with respect to such  
20   dwelling during such calendar year.”.

21                   (3)(A)(i) The matter preceding subparagraph  
22                   (A) of section 23(b)(4) is amended by striking “The  
23                   credit” and inserting “In the case of a taxable year  
24                   to which section 26(a)(2) does not apply, the cred-  
25                   it”.

1           (ii) Subsection (c) of section 23 is amended to  
2 read as follows:

3           “(c) CARRYFORWARDS OF UNUSED CREDIT.—

4           “(1) RULE FOR YEARS IN WHICH ALL PER-  
5 SONAL CREDITS ALLOWED AGAINST REGULAR AND  
6 ALTERNATIVE MINIMUM TAX.—In the case of a tax-  
7 able year to which section 26(a)(2) applies, if the  
8 credit allowable under subsection (a) for any taxable  
9 year exceeds the limitation imposed by section  
10 26(a)(2) for such taxable year reduced by the sum  
11 of the credits allowable under this subpart (other  
12 than this section and sections 25D and 1400C),  
13 such excess shall be carried to the succeeding tax-  
14 able year and added to the credit allowable under  
15 subsection (a) for such taxable year.

16           “(2) RULE FOR OTHER YEARS.—In the case of  
17 a taxable year to which section 26(a)(2) does not  
18 apply, if the credit allowable under subsection (a) for  
19 any taxable year exceeds the limitation imposed by  
20 subsection (b)(4) for such taxable year, such excess  
21 shall be carried to the succeeding taxable year and  
22 added to the credit allowable under subsection (a)  
23 for such taxable year.

24           “(3) LIMITATION.—No credit may be carried  
25 forward under this subsection to any taxable year

1 following the fifth taxable year after the taxable year  
2 in which the credit arose. For purposes of the pre-  
3 ceding sentence, credits shall be treated as used on  
4 a first-in first-out basis.”.

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

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

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

15 “(A) the credit which would be allowed  
16 under this section without regard to this sub-  
17 section and the limitation under section  
18 26(a)(2) or subsection (b)(3), as the case may  
19 be, or

20 “(B) the amount by which the aggregate  
21 amount of credits allowed by this subpart (de-  
22 termined without regard to this subsection)  
23 would increase if the limitation imposed by sec-  
24 tion 26(a)(2) or subsection (b)(3), as the case

1           may be, were increased by the excess (if any)  
2           of—

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

8                   “(ii) in the case of a taxpayer with 3  
9                   or more qualifying children, the excess (if  
10                  any) of—

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

13                           “(II) the credit allowed under  
14                           section for the taxable year.

15           The amount of the credit allowed under this sub-  
16           section shall not be treated as a credit allowed under  
17           this subpart and shall reduce the amount of credit  
18           otherwise allowable under subsection (a) without re-  
19           gard to section 26(a)(2) or subsection (b)(3), as the  
20           case may be. For purposes of subparagraph (B), any  
21           amount excluded from gross income by reason of  
22           section 112 shall be treated as earned income which  
23           is taken into account in computing taxable income  
24           for the taxable year.”.

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

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

6 “(i) in the case of a taxable year to  
7 which section 26(a)(2) applies, the limita-  
8 tion imposed by section 26(a)(2) for the  
9 taxable year reduced by the sum of the  
10 credits allowable under this subpart (other  
11 than this section and sections 23, 25D,  
12 and 1400C), and

13 “(ii) in the case of a taxable year to  
14 which section 26(a)(2) does not apply, the  
15 limitation imposed by section 26(a)(1) for  
16 the taxable year reduced by the sum of the  
17 credits allowable under this subpart (other  
18 than this section and sections 23, 24, 25B,  
19 25D, and 1400C).”.

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

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

1 “(c) CARRYFORWARD OF UNUSED CREDIT.—

2 “(1) RULE FOR YEARS IN WHICH ALL PER-  
3 SONAL CREDITS ALLOWED AGAINST REGULAR AND  
4 ALTERNATIVE MINIMUM TAX.—In the case of a tax-  
5 able year to which section 26(a)(2) applies, if the  
6 credit allowable under subsection (a) exceeds the  
7 limitation imposed by section 26(a)(2) for such tax-  
8 able year reduced by the sum of the credits allowable  
9 under this subpart (other than this section), such  
10 excess shall be carried to the succeeding taxable year  
11 and added to the credit allowable under subsection  
12 (a) for such succeeding taxable year.

13 “(2) RULE FOR OTHER YEARS.—In the case of  
14 a taxable year to which section 26(a)(2) does not  
15 apply, if the credit allowable under subsection (a)  
16 exceeds the limitation imposed by section 26(a)(1)  
17 for such taxable year reduced by the sum of the  
18 credits allowable under this subpart (other than this  
19 section and sections 23, 24, and 25B), such excess  
20 shall be carried to the succeeding taxable year and  
21 added to the credit allowable under subsection (a)  
22 for such succeeding taxable year.”.

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

25 “(d) CARRYFORWARD OF UNUSED CREDIT.—

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

13          “(2) RULE FOR OTHER YEARS.—In the case of  
14          a taxable year to which section 26(a)(2) does not  
15          apply, if the credit allowable under subsection (a)  
16          exceeds the limitation imposed by section 26(a)(1)  
17          for such taxable year reduced by the sum of the  
18          credits allowable under subpart A of part IV of sub-  
19          chapter A (other than this section and sections 23,  
20          24, 25B, and 25D), such excess shall be carried to  
21          the succeeding taxable year and added to the credit  
22          allowable under subsection (a) for such taxable  
23          year.”.

24          (G) Subsection (i) of section 904 is amended to  
25          read as follows:

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

8               (H) APPLICATION OF EGTRRA SUNSET.—The  
9       amendments made by this paragraph (and each part  
10      thereof) shall be subject to title IX of the Economic  
11      Growth and Tax Relief Reconciliation Act of 2001 in  
12      the same manner as the provisions of such Act to  
13      which such amendment (or part thereof) relates.

14              (4) Subsection (b) of section 1335 of the En-  
15      ergy Policy Act of 2005 is amended by striking  
16      paragraphs (1), (2), and (3). The Internal Revenue  
17      Code of 1986 shall be applied and administered as  
18      if the amendments made such paragraphs had never  
19      been enacted.

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

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

7 (l) AMENDMENTS RELATED TO SECTION 1351.—

8 (1) Paragraph (6) of section 41(f) (relating to  
9 special rules) is amended by adding at the end the  
10 following:

11 “(C) FOREIGN RESEARCH.—For purposes  
12 of subsection (a)(3), amounts paid or incurred  
13 for any energy research conducted outside the  
14 United States, the Commonwealth of Puerto  
15 Rico, or any possession of the United States  
16 shall not be taken into account.

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

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

24 (m) EFFECTIVE DATE.—

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

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

11          (3) COORDINATION OF PERSONAL CREDITS.—  
12          The amendments made by subsection (i)(3) shall  
13          apply to taxable years beginning after December 31,  
14          2005.

15 **SEC. 403. AMENDMENTS RELATED TO THE AMERICAN JOBS**  
16 **CREATION ACT OF 2004.**

17          (a) AMENDMENTS RELATED TO SECTION 102 OF  
18          THE ACT.—

19               (1) Paragraph (1) of section 199(b) is amended  
20               by striking “the employer” and inserting “the tax-  
21               payer”.

22               (2) Paragraph (2) of section 199(b) is amended  
23               to read as follows:

24                       “(2) W-2 WAGES.—For purposes of this sec-  
25                       tion, the term ‘W-2 wages’ means, with respect to

1 any person for any taxable year of such person, the  
2 sum of the amounts described in paragraphs (3) and  
3 (8) of section 6051(a) paid by such person with re-  
4 spect to employment of employees by such person  
5 during the calendar year ending during such taxable  
6 year. Such term shall not include any amount which  
7 is not properly included in a return filed with the  
8 Social Security Administration on or before the 60th  
9 day after the due date (including extensions) for  
10 such return.”.

11 (3) Subparagraph (B) of section 199(c)(1) is  
12 amended by inserting “and” at the end of clause (i),  
13 by striking clauses (ii) and (iii), and by inserting  
14 after clause (i) the following:

15 “(ii) other expenses, losses, or deduc-  
16 tions (other than the deduction allowed  
17 under this section), which are properly al-  
18 locable to such receipts.”.

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

21 “(2) ALLOCATION METHOD.—The Secretary  
22 shall prescribe rules for the proper allocation of  
23 items described in paragraph (1) for purposes of de-  
24 termining qualified production activities income.  
25 Such rules shall provide for the proper allocation of

1 items whether or not such items are directly allo-  
2 cable to domestic production gross receipts.”.

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

6 “(ii) in the case of a taxpayer engaged  
7 in the active conduct of a construction  
8 trade or business, construction of real  
9 property performed in the United States  
10 by the taxpayer in the ordinary course of  
11 such trade or business, or

12 “(iii) in the case of a taxpayer en-  
13 gaged in the active conduct of an engineer-  
14 ing or architectural services trade or busi-  
15 ness, engineering or architectural services  
16 performed in the United States by the tax-  
17 payer in the ordinary course of such trade  
18 or business with respect to the construc-  
19 tion of real property in the United  
20 States.”.

21 (6) Subparagraph (B) of section 199(c)(4) is  
22 amended by striking “and” at the end of clause (i),  
23 by striking the period at the end of clause (ii) and  
24 inserting “, or”, and by adding at the end the fol-  
25 lowing:

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

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

6                   “(C) SPECIAL RULE FOR CERTAIN GOV-  
7                   ERNMENT CONTRACTS.—Gross receipts derived  
8                   from the manufacture or production of any  
9                   property described in subparagraph (A)(i)(I)  
10                  shall be treated as meeting the requirements of  
11                  subparagraph (A)(i) if—

12                  “(i) such property is manufactured or  
13                  produced by the taxpayer pursuant to a  
14                  contract with the Federal Government, and

15                  “(ii) the Federal Acquisition Regula-  
16                  tion requires that title or risk of loss with  
17                  respect to such property be transferred to  
18                  the Federal Government before the manu-  
19                  facture or production of such property is  
20                  complete.

21                  “(D) PARTNERSHIPS OWNED BY EX-  
22                  PANDED AFFILIATED GROUPS.—For purposes  
23                  of this paragraph, if all of the interests in the  
24                  capital and profits of a partnership are owned  
25                  by members of a single expanded affiliated

1 group at all times during the taxable year of  
2 such partnership, the partnership and all mem-  
3 bers of such group shall be treated as a single  
4 taxpayer during such period.”.

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

7 “(1) APPLICATION OF SECTION TO PASS-THRU  
8 ENTITIES.—

9 “(A) PARTNERSHIPS AND S CORPORA-  
10 TIONS.—In the case of a partnership or S  
11 corporation—

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

14 “(ii) each partner or shareholder shall  
15 take into account such person’s allocable  
16 share of each item described in subpara-  
17 graph (A) or (B) of subsection (c)(1) (de-  
18 termined without regard to whether the  
19 items described in such subparagraph (A)  
20 exceed the items described in such sub-  
21 paragraph (B)), and

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

1                   “(I) such person’s allocable share  
2                   of the W-2 wages of the partnership  
3                   or S corporation for the taxable year  
4                   (as determined under regulations pre-  
5                   scribed by the Secretary), or

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

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

13                         “(i) the items referred to in subpara-  
14                         graph (A)(ii) (as determined therein) and  
15                         the W-2 wages of the trust or estate for  
16                         the taxable year, shall be apportioned be-  
17                         tween the beneficiaries and the fiduciary  
18                         (and among the beneficiaries) under regu-  
19                         lations prescribed by the Secretary, and

20                         “(ii) for purposes of paragraph (2),  
21                         adjusted gross income of the trust or es-  
22                         tate shall be determined as provided in sec-  
23                         tion 67(e) with the adjustments described  
24                         in such paragraph.

1           “(C) REGULATIONS.—The Secretary may  
2           prescribe rules requiring or restricting the allo-  
3           cation of items and wages under this paragraph  
4           and may prescribe such reporting requirements  
5           as the Secretary determines appropriate.”.

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

8           “(3) AGRICULTURAL AND HORTICULTURAL CO-  
9           OPERATIVES.—

10           “(A) DEDUCTION ALLOWED TO PA-  
11           TRONS.—Any person who receives a qualified  
12           payment from a specified agricultural or horti-  
13           cultural cooperative shall be allowed for the tax-  
14           able year in which such payment is received a  
15           deduction under subsection (a) equal to the por-  
16           tion of the deduction allowed under subsection  
17           (a) to such cooperative which is—

18           “(i) allowed with respect to the por-  
19           tion of the qualified production activities  
20           income to which such payment is attrib-  
21           utable, and

22           “(ii) identified by such cooperative in  
23           a written notice mailed to such person dur-  
24           ing the payment period described in section  
25           1382(d).

1           “(B) COOPERATIVE DENIED DEDUCTION  
2           FOR PORTION OF QUALIFIED PAYMENTS.—The  
3           taxable income of a specified agricultural or  
4           horticultural cooperative shall not be reduced  
5           under section 1382 by reason of that portion of  
6           any qualified payment as does not exceed the  
7           deduction allowable under subparagraph (A)  
8           with respect to such payment.

9           “(C) TAXABLE INCOME OF COOPERATIVES  
10           DETERMINED WITHOUT REGARD TO CERTAIN  
11           DEDUCTIONS.—For purposes of this section,  
12           the taxable income of a specified agricultural or  
13           horticultural cooperative shall be computed  
14           without regard to any deduction allowable  
15           under subsection (b) or (c) of section 1382 (re-  
16           lating to patronage dividends, per-unit retain  
17           allocations, and nonpatronage distributions).

18           “(D) SPECIAL RULE FOR MARKETING CO-  
19           OPERATIVES.—For purposes of this section, a  
20           specified agricultural or horticultural coopera-  
21           tive described in subparagraph (F)(ii) shall be  
22           treated as having manufactured, produced,  
23           grown, or extracted in whole or significant part  
24           any qualifying production property marketed by

1 the organization which its patrons have so man-  
2 ufactured, produced, grown, or extracted.

3 “(E) QUALIFIED PAYMENT.—For purposes  
4 of this paragraph, the term ‘qualified payment’  
5 means, with respect to any person, any amount  
6 which—

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

9 “(ii) is received by such person from  
10 a specified agricultural or horticultural co-  
11 operative, and

12 “(iii) is attributable to qualified pro-  
13 duction activities income with respect to  
14 which a deduction is allowed to such coop-  
15 erative under subsection (a).

16 “(F) SPECIFIED AGRICULTURAL OR HORTI-  
17 CULTURAL COOPERATIVE.—For purposes of  
18 this paragraph, the term ‘specified agricultural  
19 or horticultural cooperative’ means an organiza-  
20 tion to which part I of subchapter T applies  
21 which is engaged—

22 “(i) in the manufacturing, production,  
23 growth, or extraction in whole or signifi-  
24 cant part of any agricultural or horti-  
25 cultural product, or

1                   “(ii) in the marketing of agricultural  
2                   or horticultural products.”.

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

5                   (A) by striking “50 percent” and inserting  
6                   “more than 50 percent”, and

7                   (B) by striking “80 percent” and inserting  
8                   “at least 80 percent”.

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

11                   “(6) COORDINATION WITH MINIMUM TAX.—For  
12                   purposes of determining alternative minimum tax-  
13                   able income under section 55—

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

17                   “(B) in the case of a corporation, sub-  
18                   section (a)(1)(B) shall be applied by sub-  
19                   stituting ‘alternative minimum taxable income’  
20                   for ‘taxable income’.”.

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

24           (12) Subsection (d) of section 199 is amended  
25   by redesignating paragraph (7) as paragraph (8)

1 and by inserting after paragraph (6) the following  
2 new paragraph:

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

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

14 (14) Clauses (i)(II) and (ii)(II) of section  
15 56(d)(1)(A) are each amended by striking “such de-  
16 duction” and inserting “such deduction and the de-  
17 duction under section 199”.

18 (15) Clause (i) of section 163(j)(6)(A) is  
19 amended by striking “and” at the end of subclause  
20 (II), by redesignating subclause (III) as subclause  
21 (IV), and by inserting after subclause (II) the fol-  
22 lowing new subclause:

23 “(III) any deduction allowable  
24 under section 199, and”.

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

6                     “(C) section 199,”.

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

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

11           (18) Paragraph (1) of section 613A(d) is  
12           amended by redesignating subparagraphs (B), (C),  
13           and (D) as subparagraphs (C), (D), and (E), respec-  
14           tively, and by inserting after subparagraph (A) the  
15           following new subparagraph:

16                     “(B) any deduction allowable under section  
17           199,”.

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

21                     “(e) EFFECTIVE DATE.—

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

1           “(2) APPLICATION TO PASS-THRU ENTITIES,  
2           ETC.—In determining the deduction under section  
3           199 of the Internal Revenue Code of 1986 (as added  
4           by this section), items arising from a taxable year of  
5           a partnership, S corporation, estate, or trust begin-  
6           ning before January 1, 2005, shall not be taken into  
7           account for purposes of subsection (d)(1) of such  
8           section.”.

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

12                 “(1) MEMBERS OF A FAMILY TREATED AS 1  
13                 SHAREHOLDER.—

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

17                                 “(i) a husband and wife (and their es-  
18                                 tates), and

19                                 “(ii) all members of a family (and  
20                                 their estates).

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

23                                 “(i) IN GENERAL.—The term ‘mem-  
24                                 bers of a family’ means a common ances-  
25                                 tor, any lineal descendant of such common

1 ancestor, and any spouse or former spouse  
2 of such common ancestor or any such lin-  
3 eal descendant.

4 “(ii) COMMON ANCESTOR.—An indi-  
5 vidual shall not be considered to be a com-  
6 mon ancestor if, on the applicable date, the  
7 individual is more than 6 generations re-  
8 moved from the youngest generation of  
9 shareholders who would (but for this sub-  
10 paragraph) be members of the family. For  
11 purposes of the preceding sentence, a  
12 spouse (or former spouse) shall be treated  
13 as being of the same generation as the in-  
14 dividual to whom such spouse is (or was)  
15 married.

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

18 “(I) the date the election under  
19 section 1362(a) is made,

20 “(II) the earliest date that an in-  
21 dividual described in clause (i) holds  
22 stock in the S corporation, or

23 “(III) October 22, 2004.

24 “(C) EFFECT OF ADOPTION, ETC.—Any le-  
25 gally adopted child of an individual, any child

1           who is lawfully placed with an individual for  
2           legal adoption by the individual, and any eligi-  
3           ble foster child of an individual (within the  
4           meaning of section 152(f)(1)(C)), shall be treat-  
5           ed as a child of such individual by blood.”.

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

10          (d) AMENDMENTS RELATED TO SECTION 243 OF  
11   THE ACT.—

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

14           “(7) RULES OF APPLICATION FOR FAILURE TO  
15   SATISFY PARAGRAPH (4).—

16           “(A) IN GENERAL.—A corporation, trust,  
17   or association that fails to meet the require-  
18   ments of paragraph (4) (other than a failure to  
19   meet the requirements of paragraph (4)(B)(iii)  
20   which is described in subparagraph (B)(i) of  
21   this paragraph) for a particular quarter shall  
22   nevertheless be considered to have satisfied the  
23   requirements of such paragraph for such quar-  
24   ter if—

1           “(i) following the corporation, trust,  
2           or association’s identification of the failure  
3           to satisfy the requirements of such para-  
4           graph for a particular quarter, a descrip-  
5           tion of each asset that causes the corpora-  
6           tion, trust, or association to fail to satisfy  
7           the requirements of such paragraph at the  
8           close of such quarter of any taxable year is  
9           set forth in a schedule for such quarter  
10          filed in accordance with regulations pre-  
11          scribed by the Secretary,

12          “(ii) the failure to meet the require-  
13          ments of such paragraph for a particular  
14          quarter is due to reasonable cause and not  
15          due to willful neglect, and

16          “(iii)(I) the corporation, trust, or as-  
17          sociation disposes of the assets set forth on  
18          the schedule specified in clause (i) within  
19          6 months after the last day of the quarter  
20          in which the corporation, trust or associa-  
21          tion’s identification of the failure to satisfy  
22          the requirements of such paragraph oc-  
23          curred or such other time period prescribed  
24          by the Secretary and in the manner pre-  
25          scribed by the Secretary, or

1           “(II) the requirements of such para-  
2           graph are otherwise met within the time  
3           period specified in subclause (I).

4           “(B) RULE FOR CERTAIN DE MINIMIS  
5           FAILURES.—A corporation, trust, or association  
6           that fails to meet the requirements of para-  
7           graph (4)(B)(iii) for a particular quarter shall  
8           nevertheless be considered to have satisfied the  
9           requirements of such paragraph for such quar-  
10          ter if—

11           “(i) such failure is due to the owner-  
12           ship of assets the total value of which does  
13           not exceed the lesser of—

14           “(I) 1 percent of the total value  
15           of the trust’s assets at the end of the  
16           quarter for which such measurement  
17           is done, and

18           “(II) \$10,000,000, and

19           “(ii)(I) the corporation, trust, or asso-  
20           ciation, following the identification of such  
21           failure, disposes of assets in order to meet  
22           the requirements of such paragraph within  
23           6 months after the last day of the quarter  
24           in which the corporation, trust or associa-  
25           tion’s identification of the failure to satisfy

1 the requirements of such paragraph oc-  
2 curred or such other time period prescribed  
3 by the Secretary and in the manner pre-  
4 scribed by the Secretary, or

5 “(II) the requirements of such para-  
6 graph are otherwise met within the time  
7 period specified in subclause (I).

8 “(C) TAX.—

9 “(i) TAX IMPOSED.—If subparagraph  
10 (A) applies to a corporation, trust, or asso-  
11 ciation for any taxable year, there is here-  
12 by imposed on such corporation, trust, or  
13 association a tax in an amount equal to  
14 the greater of—

15 “(I) \$50,000, or

16 “(II) the amount determined  
17 (pursuant to regulations promulgated  
18 by the Secretary) by multiplying the  
19 net income generated by the assets  
20 described in the schedule specified in  
21 subparagraph (A)(i) for the period  
22 specified in clause (ii) by the highest  
23 rate of tax specified in section 11.

24 “(ii) PERIOD.—For purposes of clause  
25 (i)(II), the period described in this clause

1 is the period beginning on the first date  
2 that the failure to satisfy the requirements  
3 of such paragraph (4) occurs as a result of  
4 the ownership of such assets and ending on  
5 the earlier of the date on which the trust  
6 disposes of such assets or the end of the  
7 first quarter when there is no longer a fail-  
8 ure to satisfy such paragraph (4).

9 “(iii) ADMINISTRATIVE PROVISIONS.—  
10 For purposes of subtitle F, the taxes im-  
11 posed by this subparagraph shall be treat-  
12 ed as excise taxes with respect to which the  
13 deficiency procedures of such subtitle  
14 apply.”.

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

17 “(6) TRANSITION RULE.—

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

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

1           “(ii) would not be taken into account  
2           for purposes of such subsection by reason  
3           of paragraph (7)(C) of subsection (c) (as  
4           in effect on October 22, 2004) if the  
5           amendments made by section 243 of the  
6           American Jobs Creation Act of 2004 had  
7           never been enacted.

8           “(B) RULE NOT TO APPLY TO SECURITIES  
9           HELD AFTER MATURITY DATE.—Subparagraph  
10          (A) shall not apply with respect to any security  
11          after the later of October 22, 2004, or the lat-  
12          est maturity date under the contract (as in ef-  
13          fect on October 22, 2004) taking into account  
14          any renewal or extension permitted under the  
15          contract if such renewal or extension does not  
16          significantly modify any other terms of the con-  
17          tract.

18          “(C) SUCCESSORS.—If the successor of a  
19          trust to which this paragraph applies acquires  
20          securities in a transaction to which section 381  
21          applies, such trusts shall be treated as a single  
22          entity for purposes of determining the holding  
23          period of such securities under subparagraph  
24          (A).”.

1           (3) Subparagraph (E) of section 857(b)(2) is  
2 amended by striking “section 856(c)(7)(B)(iii), and  
3 section 856(g)(1).” and inserting “section  
4 856(c)(7)(C), and section 856(g)(5)”.

5           (4) Subsection (g) of section 243 of the Amer-  
6 ican Jobs Creation Act of 2004 is amended to read  
7 as follows:

8           “(g) EFFECTIVE DATES.—

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

12           “(2) SUBSECTIONS (c) AND (e).—The amend-  
13 ments made by subsections (c) and (e) shall apply  
14 to taxable years beginning after the date of the en-  
15 actment of this Act.

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

19           “(4) SUBSECTION (f).—

20           “(A) The amendment made by paragraph  
21 (1) of subsection (f) shall apply to failures with  
22 respect to which the requirements of subpara-  
23 graph (A) or (B) of section 856(c)(7) of the In-  
24 ternal Revenue Code of 1986 (as added by such

1 paragraph) are satisfied after the date of the  
2 enactment of this Act.

3 “(B) The amendment made by paragraph  
4 (2) of subsection (f) shall apply to failures with  
5 respect to which the requirements of paragraph  
6 (6) of section 856(c) of the Internal Revenue  
7 Code of 1986 (as amended by such paragraph)  
8 are satisfied after the date of the enactment of  
9 this Act.

10 “(C) The amendments made by paragraph  
11 (3) of subsection (f) shall apply to failures with  
12 respect to which the requirements of paragraph  
13 (5) of section 856(g) of the Internal Revenue  
14 Code of 1986 (as added by such paragraph) are  
15 satisfied after the date of the enactment of this  
16 Act.

17 “(D) The amendment made by paragraph  
18 (4) of subsection (f) shall apply to taxable years  
19 ending after the date of the enactment of this  
20 Act.

21 “(E) The amendments made by paragraph  
22 (5) of subsection (f) shall apply to statements  
23 filed after the date of the enactment of this  
24 Act.”.

1 (e) AMENDMENTS RELATED TO SECTION 244 OF  
2 THE ACT.—

3 (1) Paragraph (2) of section 181(d) is amended  
4 by striking the last sentence in subparagraph (A), by  
5 redesignating subparagraph (B) as subparagraph  
6 (C), and by inserting after subparagraph (A) the fol-  
7 lowing new subparagraph:

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

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

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

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

16 (f) AMENDMENTS RELATED TO SECTION 245 OF THE  
17 ACT.—

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

20 “(b) LIMITATION.—

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

24 “(A) \$3,500, multiplied by

25 “(B) the sum of—

1                   “(i) the number of miles of railroad  
2                   track owned or leased by the eligible tax-  
3                   payer as of the close of the taxable year,  
4                   and

5                   “(ii) the number of miles of railroad  
6                   track assigned for purposes of this sub-  
7                   section to the eligible taxpayer by a Class  
8                   II or Class III railroad which owns or  
9                   leases such railroad track as of the close of  
10                  the taxable year.

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

14                   “(A) such assignment may be made only  
15                   once per taxable year of the Class II or Class  
16                   III railroad and shall be treated as made as of  
17                   the close of such taxable year,

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

21                   “(C) such assignment shall be taken into  
22                   account for the taxable year of the assignee  
23                   which includes the date that such assignment is  
24                   treated as effective.”.

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

3           “(2) any person who transports property using  
4 the rail facilities of a Class II or Class III railroad  
5 or who furnishes railroad-related property or services  
6 to a Class II or Class III railroad, but only with re-  
7 spect to miles of railroad track assigned to such per-  
8 son by such Class II or Class III railroad for pur-  
9 poses of subsection (b).”.

10          (3) Paragraph (3) of section 45G(e) is amended  
11 to read as follows:

12          “(3) DENIAL OF DOUBLE BENEFIT.—In the  
13 case of the amount of the credit determined under  
14 this section—

15               “(A) no deduction or credit shall be al-  
16 lowed for such amount under any other provi-  
17 sion of this chapter, and

18               “(B) no increase in the adjusted basis of  
19 any property shall result from such amount.”.

20          (g) AMENDMENTS RELATED TO SECTION 248 OF  
21 THE ACT.—

22          (1)(A) Subsection (d) of section 1353 is amend-  
23 ed by striking “ownership and charter interests” and  
24 inserting “ownership, charter, and operating agree-  
25 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                   “(ii) in the case of a separate return  
2                   by a married individual (as defined in sec-  
3                   tion 7703), \$5,000, and

4                   “(iii) in the case of a trust, zero.”.

5                   (B) Paragraph (4) of section 194(c) is amended  
6                   to read as follows:

7                   “(4) TREATMENT OF TRUSTS AND ESTATES.—  
8                   The aggregate amount of reforestation expenditures  
9                   incurred by any trust or estate shall be apportioned  
10                  between the income beneficiaries and the fiduciary  
11                  under regulations prescribed by the Secretary. Any  
12                  amount so apportioned to a beneficiary shall be  
13                  taken into account as expenditures incurred by such  
14                  beneficiary in applying this section to such bene-  
15                  ficiary.”.

16                  (2) Subparagraph (C) of section 1245(a)(2) is  
17                  amended by striking “or 193” and inserting “193,  
18                  or 194”.

19                  (j) AMENDMENTS RELATED TO SECTION 336 OF THE  
20                  ACT.—

21                  (1) Clause (iv) of section 168(k)(2)(A) is  
22                  amended by striking “subparagraphs (B) and (C)”  
23                  and inserting “subparagraph (B) or (C)”.

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           (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 (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).