

107TH CONGRESS
1ST SESSION

H. R. 1412

To amend the Internal Revenue Code of 1986 to provide relief for payment of asbestos-related claims.

IN THE HOUSE OF REPRESENTATIVES

APRIL 4, 2001

Mr. COLLINS (for himself, Mr. LEWIS of Georgia, Mr. HYDE, Mr. CONYERS, Mr. SENSENBRENNER, Mr. BACHUS, Mr. BARR of Georgia, Mr. BECERRA, Mr. BERMAN, Mr. BLUNT, Mr. BOEHNER, Mr. BOUCHER, Mr. CAMP, Mr. CARDIN, Mr. COMBEST, Mr. CONDIT, Mr. CRANE, Mr. DAVIS of Illinois, Mr. DEAL of Georgia, Mr. DOOLITTLE, Ms. DUNN, Mr. EDWARDS, Mr. FARR of California, Mr. FOLEY, Mr. FRANK, Mr. GILLMOR, Mr. GOODE, Mr. GOODLATTE, Mr. GONZALEZ, Mr. GRAHAM, Mr. HALL of Texas, Mr. HALL of Ohio, Mr. HAYWORTH, Mr. HERGER, Mr. HOBSON, Mr. HOUGHTON, Mr. HUTCHINSON, Mr. ISAKSON, Mr. JEFFERSON, Mr. SAM JOHNSON of Texas, Mrs. JONES of Ohio, Mr. KANJORSKI, Ms. KAPTUR, Mr. KING, Mr. KLECZKA, Mr. LATOURETTE, Ms. LEE, Mr. LEWIS of Kentucky, Mr. MATSUI, Ms. MCKINNEY, Mr. McNULTY, Mr. OXLEY, Mr. PHELPS, Mr. PORTMAN, Ms. PRYCE of Ohio, Mr. REYES, Ms. ROYBAL-ALLARD, Mr. SAWYER, Mr. SCARBOROUGH, Mr. SCOTT, Mr. SESSIONS, Mr. SHIMKUS, Mr. SPENCE, Mr. STRICKLAND, Mr. TANNER, Mr. TIBERI, Mr. THOMPSON of California, Mr. THORNBERRY, Mrs. THURMAN, Mr. VITTER, Mr. WATKINS, Mr. WELDON of Florida, Mr. WELLER, Mr. PITTS, and Mr. REGULA) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to provide relief for payment of asbestos-related claims.

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

1 **SECTION. 1. EXEMPTION FOR ASBESTOS-RELATED SETTLE-**
2 **MENT FUNDS.**

3 (a) EXEMPTION FOR ASBESTOS-RELATED SETTLE-
4 MENT FUNDS.—Subsection (b) of section 468B of the In-
5 ternal Revenue Code of 1986 is amended by adding at the
6 end the following new paragraph:

7 “(6) EXEMPTION FROM TAX FOR ASBESTOS-RE-
8 LATED SETTLEMENT FUNDS.—Notwithstanding
9 paragraph (1), no tax shall be imposed under this
10 section or any other provision of this subtitle on any
11 settlement fund to which this section or the regula-
12 tions thereunder applies that is established for the
13 principal purpose of resolving and satisfying present
14 and future claims relating to asbestos.”

15 (b) CONFORMING AMENDMENTS.—

16 (1) Paragraph (1) of section 468B(b) of such
17 Code is amended by striking “There” and inserting
18 “Except as provided in paragraph (6), there”.

19 (2) Subsection (g) of section 468B of such Code
20 is amended by inserting “(other than subsection
21 (b)(6))” after “Nothing in any provision of law”.

22 (c) EFFECTIVE DATE.—The amendments made by
23 this section shall apply to taxable years ending on or after
24 December 31, 2000.

1 **SEC. 2. MODIFY TREATMENT OF ASBESTOS-RELATED NET**
2 **OPERATING LOSSES.**

3 (a) ASBESTOS-RELATED NET OPERATING LOSSES.—
4 Subsection (f) of section 172 of the Internal Revenue Code
5 of 1986 is amended by redesignating paragraphs (4), (5),
6 and (6) as paragraphs (5), (6), and (7), respectively, and
7 by inserting after paragraph (3) the following new para-
8 graph:

9 “(4) SPECIAL RULES FOR ASBESTOS LIABILITY
10 LOSSES.—

11 “(A) IN GENERAL.—At the election of the
12 taxpayer, the portion of any specified liability
13 loss that is attributable to asbestos may, for
14 purposes of subsection (b)(1)(C), be carried
15 back to the taxable year in which the taxpayer,
16 including any predecessor corporation, was first
17 involved in the production or distribution of
18 products containing asbestos and each subse-
19 quent taxable year. In determining its specified
20 liability losses attributable to asbestos, the tax-
21 payer may elect to take into account payments
22 of related parties attributable to asbestos-re-
23 lated products produced or distributed by the
24 taxpayer.

25 “(B) COORDINATION WITH CREDITS.—If a
26 deduction is allowable for any taxable year by

1 reason of a carryback described in subpara-
2 graph (A)—

3 “(i) the credits allowable under part
4 IV (other than subpart C) of subchapter A
5 shall be determined without regard to such
6 deduction, and

7 “(ii) the amount of taxable income
8 taken into account with respect to the
9 carryback under subsection (b)(2) for such
10 taxable year shall be reduced by an
11 amount equal to—

12 “(I) the increase in the amount
13 of such credits allowable for such tax-
14 able year solely by reason of clause
15 (i), divided by

16 “(II) the maximum rate of tax
17 under section 1 or 11 (whichever is
18 applicable) for such taxable year.

19 “(C) CARRYFORWARDS TAKEN INTO AC-
20 COUNT BEFORE ASBESTOS-RELATED DEDUC-
21 TIONS.—For purposes of this section—

22 “(i) in determining whether a net op-
23 erating loss carryforward may be carried
24 under subsection (b)(2) to a taxable year,
25 taxable income for such year shall be de-

1 terminated without regard to the deductions
2 referred to in paragraph (1)(A) with re-
3 spect to asbestos, and

4 “(ii) if there is a net operating loss
5 for such year after taking into account
6 such carryforwards and deductions, the
7 portion of such loss attributable to such
8 deductions shall be treated as a specified
9 liability loss that is attributable to asbes-
10 tos.

11 “(D) LIMITATION.—The amount of reduc-
12 tion in income tax liability arising from the
13 election described in subparagraph (A) that ex-
14 ceeds the amount of reduction in income tax li-
15 ability that would have resulted if the taxpayer
16 utilized the 10-year carryback period under sub-
17 section (b)(1)(C) shall be devoted by the tax-
18 payer solely to asbestos claimant compensation
19 and related costs, through a settlement fund or
20 otherwise.

21 “(E) COORDINATION WITH OTHER
22 CARRYBACK LIMITATIONS.—The amount of as-
23 bestos-related specified liability loss that may be
24 absorbed in a prior taxable year (and the
25 amount of refund attributable to such loss ab-

1 sorption) shall be determined without regard to
2 any limitation under section 381, 382, or 1502
3 or the regulations thereunder.

4 “(F) PREDECESSOR CORPORATION.—For
5 purposes of this paragraph, a predecessor cor-
6 poration shall include a corporation that trans-
7 ferred or distributed assets to the taxpayer in
8 a transaction to which section 381(a) applies or
9 that distributed the stock of the taxpayer in a
10 transaction to which section 355 applies.”.

11 (b) CONFORMING AMENDMENT.—Paragraph (7) of
12 section 172(f) of such Code, as redesignated by this sec-
13 tion, is amended by striking “10-year”.

14 (c) EFFECTIVE DATE.—The amendments made by
15 this section shall apply to taxable years ending on or after
16 December 31, 2000.

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