

In the House of Representatives, U. S.,

September 21, 2005.

Resolved, That the House agree to the amendment of the Senate to the bill (H.R. 3768) entitled “An Act to provide emergency tax relief for persons affected by Hurricane Katrina”, with the following

HOUSE AMENDMENT TO SENATE AMENDMENT:

In lieu of the matter proposed to be inserted by the amendment of the Senate, insert the following:

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

2 (a) *SHORT TITLE.*—*This Act may be cited as the*
3 *“Katrina Emergency Tax Relief Act of 2005”.*

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

Sec. 1. Short title, etc.

Sec. 2. Hurricane Katrina disaster area.

TITLE I—SPECIAL RULES FOR USE OF RETIREMENT FUNDS FOR RELIEF RELATING TO HURRICANE KATRINA

*Sec. 101. Tax-favored withdrawals from retirement plans for relief relating to
Hurricane Katrina.*

*Sec. 102. Recontributions of withdrawals for home purchases cancelled due to
Hurricane Katrina.*

Sec. 103. Loans from qualified plans for relief relating to Hurricane Katrina.

Sec. 104. Provisions relating to plan amendments.

TITLE II—EMPLOYMENT RELIEF

Sec. 201. Work opportunity tax credit for Hurricane Katrina employees.

Sec. 202. Employee retention credit for employers affected by Hurricane Katrina.

TITLE III—CHARITABLE GIVING INCENTIVES

- Sec. 301. Temporary suspension of limitations on charitable contributions.*
Sec. 302. Additional exemption for housing Hurricane Katrina displaced individuals.
Sec. 303. Increase in standard mileage rate for charitable use of vehicles.
Sec. 304. Mileage reimbursements to charitable volunteers excluded from gross income.
Sec. 305. Charitable deduction for contributions of food inventory.
Sec. 306. Charitable deduction for contributions of book inventories to public schools.

TITLE IV—ADDITIONAL TAX RELIEF PROVISIONS

- Sec. 401. Exclusions of certain cancellations of indebtedness by reason of Hurricane Katrina.*
Sec. 402. Suspension of certain limitations on personal casualty losses.
Sec. 403. Required exercise of authority under section 7508A for tax relief relating to Hurricane Katrina.
Sec. 404. Special rules for mortgage revenue bonds.
Sec. 405. Extension of replacement period for nonrecognition of gain for property located in Hurricane Katrina disaster area.
Sec. 406. Special rule for determining earned income.
Sec. 407. Secretarial authority to make adjustments regarding taxpayer and dependency status.

TITLE V—EMERGENCY REQUIREMENT

- Sec. 501. Emergency requirement.*

1 *SEC. 2. HURRICANE KATRINA DISASTER AREA.*

2 *For purposes of this Act—*

3 (1) *HURRICANE KATRINA DISASTER AREA.*—*The*
4 *term “Hurricane Katrina disaster area” means an*
5 *area with respect to which a major disaster has been*
6 *declared by the President before September 14, 2005,*
7 *under section 401 of the Robert T. Stafford Disaster*
8 *Relief and Emergency Assistance Act by reason of*
9 *Hurricane Katrina.*

10 (2) *CORE DISASTER AREA.*—*The term “core dis-*
11 *aster area” means that portion of the Hurricane*
12 *Katrina disaster area determined by the President to*

1 *warrant individual or individual and public assist-*
 2 *ance from the Federal Government under such Act.*

3 ***TITLE I—SPECIAL RULES FOR***
 4 ***USE OF RETIREMENT FUNDS***
 5 ***FOR RELIEF RELATING TO***
 6 ***HURRICANE KATRINA***

7 ***SEC. 101. TAX-FAVORED WITHDRAWALS FROM RETIREMENT***
 8 ***PLANS FOR RELIEF RELATING TO HURRI-***
 9 ***CANE KATRINA.***

10 (a) *IN GENERAL.*—Section 72(t) of the Internal Rev-
 11 *enue Code of 1986 shall not apply to any qualified Hurri-*
 12 *cane Katrina distribution.*

13 (b) *AGGREGATE DOLLAR LIMITATION.*—

14 (1) *IN GENERAL.*—For purposes of this section,
 15 *the aggregate amount of distributions received by an*
 16 *individual which may be treated as qualified Hurri-*
 17 *cane Katrina distributions for any taxable year shall*
 18 *not exceed the excess (if any) of—*

19 (A) *\$100,000, over*

20 (B) *the aggregate amounts treated as quali-*
 21 *fied Hurricane Katrina distributions received by*
 22 *such individual for all prior taxable years.*

23 (2) *TREATMENT OF PLAN DISTRIBUTIONS.*—If a
 24 *distribution to an individual would (without regard*
 25 *to paragraph (1)) be a qualified Hurricane Katrina*

1 *distribution, a plan shall not be treated as violating*
 2 *any requirement of the Internal Revenue Code of 1986*
 3 *merely because the plan treats such distribution as a*
 4 *qualified Hurricane Katrina distribution, unless the*
 5 *aggregate amount of such distributions from all plans*
 6 *maintained by the employer (and any member of any*
 7 *controlled group which includes the employer) to such*
 8 *individual exceeds \$100,000.*

9 (3) *CONTROLLED GROUP.*—*For purposes of para-*
 10 *graph (2), the term “controlled group” means any*
 11 *group treated as a single employer under subsection*
 12 *(b), (c), (m), or (o) of section 414 of such Code.*

13 (c) *AMOUNT DISTRIBUTED MAY BE REPAID.*—

14 (1) *IN GENERAL.*—*Any individual who receives a*
 15 *qualified Hurricane Katrina distribution may, at*
 16 *any time during the 3-year period beginning on the*
 17 *day after the date on which such distribution was re-*
 18 *ceived, make one or more contributions in an aggre-*
 19 *gate amount not to exceed the amount of such dis-*
 20 *tribution to an eligible retirement plan of which such*
 21 *individual is a beneficiary and to which a rollover*
 22 *contribution of such distribution could be made under*
 23 *section 402(c), 403(a)(4), 403(b)(8), 408(d)(3), or*
 24 *457(e)(16) of such Code, as the case may be.*

1 (2) *TREATMENT OF REPAYMENTS OF DISTRIBUTIONS FROM ELIGIBLE RETIREMENT PLANS OTHER*
2 *THAN IRAS.—For purposes of such Code, if a con-*
3 *tribution is made pursuant to paragraph (1) with re-*
4 *spect to a qualified Hurricane Katrina distribution*
5 *from an eligible retirement plan other than an indi-*
6 *vidual retirement plan, then the taxpayer shall, to the*
7 *extent of the amount of the contribution, be treated as*
8 *having received the qualified Hurricane Katrina dis-*
9 *tribution in an eligible rollover distribution (as de-*
10 *finied in section 402(c)(4) of such Code) and as having*
11 *transferred the amount to the eligible retirement plan*
12 *in a direct trustee to trustee transfer within 60 days*
13 *of the distribution.*

15 (3) *TREATMENT OF REPAYMENTS FOR DISTRIBUTIONS FROM IRAS.—For purposes of such Code, if a*
16 *contribution is made pursuant to paragraph (1) with*
17 *respect to a qualified Hurricane Katrina distribution*
18 *from an individual retirement plan (as defined by*
19 *section 7701(a)(37) of such Code), then, to the extent*
20 *of the amount of the contribution, the qualified Hur-*
21 *ricane Katrina distribution shall be treated as a dis-*
22 *tribution described in section 408(d)(3) of such Code*
23 *and as having been transferred to the eligible retire-*
24

1 *ment plan in a direct trustee to trustee transfer with-*
 2 *in 60 days of the distribution.*

3 *(d) DEFINITIONS.—For purposes of this section—*

4 *(1) QUALIFIED HURRICANE KATRINA DISTRIBUTION.—Except as provided in subsection (b), the term*
 5 *“qualified Hurricane Katrina distribution” means*
 6 *any distribution from an eligible retirement plan*
 7 *made on or after August 25, 2005, and before Janu-*
 8 *ary 1, 2007, to an individual whose principal place*
 9 *of abode on August 28, 2005, is located in the Hurri-*
 10 *cane Katrina disaster area and who has sustained an*
 11 *economic loss by reason of Hurricane Katrina.*

12 *(2) ELIGIBLE RETIREMENT PLAN.—The term “el-*
 13 *igible retirement plan” shall have the meaning given*
 14 *such term by section 402(c)(8)(B) of such Code.*

15 *(e) INCOME INCLUSION SPREAD OVER 3 YEAR PERIOD*
 16 *FOR QUALIFIED HURRICANE KATRINA DISTRIBUTIONS.—*

17 *(1) IN GENERAL.—In the case of any qualified*
 18 *Hurricane Katrina distribution, unless the taxpayer*
 19 *elects not to have this subsection apply for any tax-*
 20 *able year, any amount required to be included in*
 21 *gross income for such taxable year shall be so in-*
 22 *cluded ratably over the 3-taxable year period begin-*
 23 *ning with such taxable year.*

(2) *SPECIAL RULE.*—For purposes of paragraph (1), rules similar to the rules of subparagraph (E) of section 408A(d)(3) of such Code shall apply.

(f) *SPECIAL RULES.*—

(1) *EXEMPTION OF DISTRIBUTIONS FROM TRUSTEE TO TRUSTEE TRANSFER AND WITHHOLDING RULES.*—For purposes of sections 401(a)(31), 402(f), and 3405 of such Code, qualified Hurricane Katrina distributions shall not be treated as eligible rollover distributions.

(2) *QUALIFIED HURRICANE KATRINA DISTRIBUTIONS TREATED AS MEETING PLAN DISTRIBUTION REQUIREMENTS.*—For purposes of such Code, a qualified Hurricane Katrina distribution shall be treated as meeting the requirements of sections 401(k)(2)(B)(i), 403(b)(7)(A)(ii), 403(b)(11), and 457(d)(1)(A) of such Code.

SEC. 102. RECONTRIBUTIONS OF WITHDRAWALS FOR HOME PURCHASES CANCELLED DUE TO HURRICANE KATRINA.

(a) *RECONTRIBUTIONS.*—

(1) *IN GENERAL.*—Any individual who received a qualified distribution may, during the period beginning on August 25, 2005, and ending on February 28, 2006, make one or more contributions in an ag-

gregate amount not to exceed the amount of such qualified distribution to an eligible retirement plan (as defined in section 402(c)(8)(B) of the Internal Revenue Code of 1986) of which such individual is a beneficiary and to which a rollover contribution of such distribution could be made under section 402(c), 403(a)(4), 403(b)(8), or 408(d)(3) of such Code, as the case may be.

(2) *TREATMENT OF REPAYMENTS.*—Rules similar to the rules of paragraphs (2) and (3) of section 101(c) of this Act shall apply for purposes of this section.

(b) *QUALIFIED DISTRIBUTION DEFINED.*—For purposes of this section, the term “qualified distribution” means any distribution—

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

(2) received after February 28, 2005, and before August 29, 2005, and

(3) which was to be used to purchase or construct a principal residence in the Hurricane Katrina disaster area, but which was not so purchased or constructed on account of Hurricane Katrina.

1 **SEC. 103. LOANS FROM QUALIFIED PLANS FOR RELIEF RE-**
 2 **LATING TO HURRICANE KATRINA.**

3 (a) *INCREASE IN LIMIT ON LOANS NOT TREATED AS*
 4 *DISTRIBUTIONS.*—*In the case of any loan from a qualified*
 5 *employer plan (as defined under section 72(p)(4) of the In-*
 6 *ternal Revenue Code of 1986) to a qualified individual*
 7 *made after the date of enactment of this Act and before Jan-*
 8 *uary 1, 2007—*

9 (1) *clause (i) of section 72(p)(2)(A) of such Code*
 10 *shall be applied by substituting “\$100,000” for*
 11 *“\$50,000”, and*

12 (2) *clause (ii) of such section shall be applied by*
 13 *substituting “the present value of the nonforfeitable*
 14 *accrued benefit of the employee under the plan” for*
 15 *“one-half of the present value of the nonforfeitable ac-*
 16 *crued benefit of the employee under the plan”.*

17 (b) *DELAY OF REPAYMENT.*—*In the case of a qualified*
 18 *individual with an outstanding loan on or after August 25,*
 19 *2005, from a qualified employer plan (as defined in section*
 20 *72(p)(4) of such Code)—*

21 (1) *if the due date pursuant to subparagraph (B)*
 22 *or (C) of section 72(p)(2) of such Code for any repay-*
 23 *ment with respect to such loan occurs during the pe-*
 24 *riod beginning on August 25, 2005, and ending on*
 25 *December 31, 2006, such due date shall be delayed for*
 26 *1 year,*

1 (2) *any subsequent repayments with respect to*
 2 *any such loan shall be appropriately adjusted to re-*
 3 *flect the delay in the due date under paragraph (1)*
 4 *and any interest accruing during such delay, and*

5 (3) *in determining the 5-year period and the*
 6 *term of a loan under subparagraph (B) or (C) of sec-*
 7 *tion 72(p)(2) of such Code, the period described in*
 8 *paragraph (1) shall be disregarded.*

9 (c) **QUALIFIED INDIVIDUAL.**—*For purposes of this sec-*
 10 *tion, the term “qualified individual” means an individual*
 11 *whose principal place of abode on August 28, 2005, is lo-*
 12 *cated in the Hurricane Katrina disaster area and who has*
 13 *sustained an economic loss by reason of Hurricane Katrina.*

14 **SEC. 104. PROVISIONS RELATING TO PLAN AMENDMENTS.**

15 (a) **IN GENERAL.**—*If this section applies to any*
 16 *amendment to any plan or annuity contract, such plan or*
 17 *contract shall be treated as being operated in accordance*
 18 *with the terms of the plan during the period described in*
 19 *subsection (b)(2)(A).*

20 (b) **AMENDMENTS TO WHICH SECTION APPLIES.**—

21 (1) **IN GENERAL.**—*This section shall apply to*
 22 *any amendment to any plan or annuity contract*
 23 *which is made—*

24 (A) *pursuant to any amendment made by*
 25 *this title, or pursuant to any regulation issued*

1 *by the Secretary of the Treasury or the Secretary*
2 *of Labor under this title, and*

3 *(B) on or before the last day of the first*
4 *plan year beginning on or after January 1,*
5 *2007, or such later date as the Secretary of the*
6 *Treasury may prescribe.*

7 *In the case of a governmental plan (as defined in sec-*
8 *tion 414(d) of the Internal Revenue Code of 1986),*
9 *subparagraph (B) shall be applied by substituting the*
10 *date which is 2 years after the date otherwise applied*
11 *under subparagraph (B).*

12 *(2) CONDITIONS.—This section shall not apply to*
13 *any amendment unless—*

14 *(A) during the period—*

15 *(i) beginning on the date the legislative*
16 *or regulatory amendment described in para-*
17 *graph (1)(A) takes effect (or in the case of*
18 *a plan or contract amendment not required*
19 *by such legislative or regulatory amend-*
20 *ment, the effective date specified by the*
21 *plan), and*

22 *(ii) ending on the date described in*
23 *paragraph (1)(B) (or, if earlier, the date the*
24 *plan or contract amendment is adopted),*

1 the plan or contract is operated as if such plan
2 or contract amendment were in effect; and

3 (B) such plan or contract amendment ap-
4 plies retroactively for such period.

5 ***TITLE II—EMPLOYMENT RELIEF***

6 ***SEC. 201. WORK OPPORTUNITY TAX CREDIT FOR HURRI-*** 7 ***CANE KATRINA EMPLOYEES.***

8 (a) *IN GENERAL.*—For purposes of section 51 of the
9 Internal Revenue Code of 1986, a Hurricane Katrina em-
10 ployee shall be treated as a member of a targeted group.

11 (b) *HURRICANE KATRINA EMPLOYEE.*—For purposes
12 of this section, the term “Hurricane Katrina employee”
13 means—

14 (1) any individual who on August 28, 2005, had
15 a principal place of abode in the core disaster area
16 and who is hired during the 2-year period beginning
17 on such date for a position the principal place of em-
18 ployment of which is located in the core disaster area,
19 and

20 (2) any individual who on such date had a prin-
21 cipal place of abode in the core disaster area, who is
22 displaced from such abode by reason of Hurricane
23 Katrina, and who is hired during the period begin-
24 ning on such date and ending on December 31, 2005.

1 (c) *REASONABLE IDENTIFICATION ACCEPTABLE.*—In
 2 *lieu of the certification requirement under subparagraph*
 3 *(A) of section 51(d)(12) of such Code, an individual may*
 4 *provide to the employer reasonable evidence that the indi-*
 5 *vidual is a Hurricane Katrina employee, and subpara-*
 6 *graph (B) of such section shall be applied as if such evidence*
 7 *were a certification described in such subparagraph.*

8 (d) *SPECIAL RULES FOR DETERMINING CREDIT.*—For
 9 *purposes of applying subpart F of part IV of subchapter*
 10 *A of chapter 1 of such Code to wages paid or incurred to*
 11 *any Hurricane Katrina employee—*

12 (1) *section 51(c)(4) of such Code shall not apply,*
 13 *and*

14 (2) *section 51(i)(2) of such Code shall not apply*
 15 *with respect to the first hire of such employee as a*
 16 *Hurricane Katrina employee, unless such employee*
 17 *was an employee of the employer on August 28, 2005.*

18 **SEC. 202. EMPLOYEE RETENTION CREDIT FOR EMPLOYERS**

19 **AFFECTED BY HURRICANE KATRINA.**

20 (a) *IN GENERAL.*—In the case of an eligible employer,
 21 *there shall be allowed as a credit against the tax imposed*
 22 *by chapter 1 of the Internal Revenue Code of 1986 for the*
 23 *taxable year an amount equal to 40 percent of the qualified*
 24 *wages with respect to each eligible employee of such em-*
 25 *ployer for such taxable year. For purposes of the preceding*

1 sentence, the amount of qualified wages which may be taken
 2 into account with respect to any individual shall not exceed
 3 \$6,000.

4 (b) *DEFINITIONS.*—For purposes of this section—

5 (1) *ELIGIBLE EMPLOYER.*—The term “eligible
 6 employer” means any employer—

7 (A) which conducted an active trade or
 8 business on August 28, 2005, in a core disaster
 9 area, and

10 (B) with respect to whom the trade or busi-
 11 ness described in subparagraph (A) is inoperable
 12 on any day after August 28, 2005, and before
 13 January 1, 2006, as a result of damage sus-
 14 tained by reason of Hurricane Katrina.

15 (2) *ELIGIBLE EMPLOYEE.*—The term “eligible
 16 employee” means with respect to an eligible employer
 17 an employee whose principal place of employment on
 18 August 28, 2005, with such eligible employer was in
 19 a core disaster area.

20 (3) *QUALIFIED WAGES.*—The term “qualified
 21 wages” means wages (as defined in section 51(c)(1) of
 22 such Code, but without regard to section
 23 3306(b)(2)(B) of such Code) paid or incurred by an
 24 eligible employer with respect to an eligible employee

1 on any day after August 28, 2005, and before Janu-
2 ary 1, 2006, which occurs during the period—

3 (A) beginning on the date on which the
4 trade or business described in paragraph (1)
5 first became inoperable at the principal place of
6 employment of the employee immediately before
7 Hurricane Katrina, and

8 (B) ending on the date on which such trade
9 or business has resumed significant operations at
10 such principal place of employment.

11 Such term shall include wages paid without regard to
12 whether the employee performs no services, performs
13 services at a different place of employment than such
14 principal place of employment, or performs services
15 at such principal place of employment before signifi-
16 cant operations have resumed.

17 (c) CREDIT NOT ALLOWED FOR LARGE BUSINESSES.—
18 The term “eligible employer” shall not include any trade
19 or business for any taxable year if such trade or business
20 employed an average of more than 200 employees on busi-
21 ness days during the taxable year.

22 (d) CERTAIN RULES TO APPLY.—For purposes of this
23 section, rules similar to the rules of sections 51(i)(1), 52,
24 and 280C(a) of such Code shall apply.

1 (e) *EMPLOYEE NOT TAKEN INTO ACCOUNT MORE*
 2 *THAN ONCE.*—*An employee shall not be treated as an eligi-*
 3 *ble employee for purposes of this section for any period with*
 4 *respect to any employer if such employer is allowed a credit*
 5 *under section 51 of such Code with respect to such employee*
 6 *for such period.*

7 (f) *CREDIT TO BE PART OF GENERAL BUSINESS*
 8 *CREDIT.*—*The credit allowed under this section shall be*
 9 *added to the current year business credit under section*
 10 *38(b) of such Code and shall be treated as a credit allowed*
 11 *under subpart D of part IV of subchapter A of chapter 1*
 12 *of such Code.*

13 ***TITLE III—CHARITABLE GIVING*** 14 ***INCENTIVES***

15 ***SEC. 301. TEMPORARY SUSPENSION OF LIMITATIONS ON*** 16 ***CHARITABLE CONTRIBUTIONS.***

17 (a) *IN GENERAL.*—*Except as otherwise provided in*
 18 *subsection (b), section 170(b) of the Internal Revenue Code*
 19 *of 1986 shall not apply to qualified contributions and such*
 20 *contributions shall not be taken into account for purposes*
 21 *of applying subsections (b) and (d) of section 170 of such*
 22 *Code to other contributions.*

23 (b) *TREATMENT OF EXCESS CONTRIBUTIONS.*—*For*
 24 *purposes of section 170 of such Code—*

1 (1) *INDIVIDUALS.*—*In the case of an indi-*
2 *vidual—*

3 (A) *LIMITATION.*—*Any qualified contribu-*
4 *tion shall be allowed only to the extent that the*
5 *aggregate of such contributions does not exceed*
6 *the excess of the taxpayer's contribution base (as*
7 *defined in subparagraph (F) of section 170(b)(1)*
8 *of such Code) over the amount of all other chari-*
9 *table contributions allowed under such section*
10 *170(b)(1).*

11 (B) *CARRYOVER.*—*If the aggregate amount*
12 *of qualified contributions made in the contribu-*
13 *tion year (within the meaning of section*
14 *170(d)(1) of such Code) exceeds the limitation of*
15 *subparagraph (A), such excess shall be added to*
16 *the excess described in the portion of subpara-*
17 *graph (A) of such section which precedes clause*
18 *(i) thereof for purposes of applying such section.*

19 (2) *CORPORATIONS.*—*In the case of a corpora-*
20 *tion—*

21 (A) *LIMITATION.*—*Any qualified contribu-*
22 *tion shall be allowed only to the extent that the*
23 *aggregate of such contributions does not exceed*
24 *the excess of the taxpayer's taxable income (as*
25 *determined under paragraph (2) of section*

1 170(b) of such Code) over the amount of all other
 2 charitable contributions allowed under such
 3 paragraph.

4 (B) CARRYOVER.—Rules similar to the rules
 5 of paragraph (1)(B) shall apply for purposes of
 6 this paragraph.

7 (c) EXCEPTION TO OVERALL LIMITATION ON ITEMIZED
 8 DEDUCTIONS.—So much of any deduction allowed under
 9 section 170 of such Code as does not exceed the qualified
 10 contributions paid during the taxable year shall not be
 11 treated as an itemized deduction for purposes of section 68
 12 of such Code.

13 (d) QUALIFIED CONTRIBUTIONS.—

14 (1) IN GENERAL.—For purposes of this section,
 15 the term “qualified contribution” means any chari-
 16 table contribution (as defined in section 170(c) of
 17 such Code)—

18 (A) paid during the period beginning on
 19 August 28, 2005, and ending on December 31,
 20 2005, in cash to an organization described in
 21 section 170(b)(1)(A) of such Code (other than an
 22 organization described in section 509(a)(3) of
 23 such Code),

1 (B) in the case of a contribution paid by a
 2 corporation, such contribution is for relief efforts
 3 related to Hurricane Katrina, and

4 (C) with respect to which the taxpayer has
 5 elected the application of this section.

6 (2) *EXCEPTION.*—Such term shall not include a
 7 contribution if the contribution is for establishment of
 8 a new, or maintenance in an existing, segregated
 9 fund or account with respect to which the donor (or
 10 any person appointed or designated by such donor)
 11 has, or reasonably expects to have, advisory privileges
 12 with respect to distributions or investments by reason
 13 of the donor’s status as a donor.

14 (3) *APPLICATION OF ELECTION TO PARTNER-*
 15 *SHIPS AND S CORPORATIONS.*—In the case of a part-
 16 nership or S corporation, the election under para-
 17 graph (1)(C) shall be made separately by each part-
 18 ner or shareholder.

19 **SEC. 302. ADDITIONAL EXEMPTION FOR HOUSING HURRI-**
 20 **CANE KATRINA DISPLACED INDIVIDUALS.**

21 (a) *IN GENERAL.*—In the case of taxable years of a
 22 natural person beginning in 2005 or 2006, for purposes of
 23 the Internal Revenue Code of 1986, taxable income shall
 24 be reduced by \$500 for each Hurricane Katrina displaced
 25 individual of the taxpayer for the taxable year.

1 (b) *LIMITATIONS.*—

2 (1) *DOLLAR LIMITATION.*—*The reduction under*
 3 *subsection (a) shall not exceed \$2,000, reduced by the*
 4 *amount of the reduction under this section for all*
 5 *prior taxable years.*

6 (2) *INDIVIDUALS TAKEN INTO ACCOUNT ONLY*
 7 *ONCE.*—*An individual shall not be taken into account*
 8 *under subsection (a) if such individual was taken*
 9 *into account under such subsection by the taxpayer*
 10 *for any prior taxable year.*

11 (3) *IDENTIFYING INFORMATION REQUIRED.*—*An*
 12 *individual shall not be taken into account under sub-*
 13 *section (a) for a taxable year unless the taxpayer*
 14 *identification number of such individual is included*
 15 *on the return of the taxpayer for such taxable year.*

16 (c) *HURRICANE KATRINA DISPLACED INDIVIDUAL.*—
 17 *For purposes of this section, the term “Hurricane Katrina*
 18 *displaced individual” means, with respect to any taxpayer*
 19 *for any taxable year, any natural person if—*

20 (1) *such person’s principal place of abode on Au-*
 21 *gust 28, 2005, was in the Hurricane Katrina disaster*
 22 *area,*

23 (2)(A) *in the case of such an abode located in the*
 24 *core disaster area, such person is displaced from such*
 25 *abode, or*

1 (B) in the case of such an abode located outside
 2 of the core disaster area, such person is displaced
 3 from such abode, and

4 (i) such abode was damaged by Hurricane
 5 Katrina, or

6 (ii) such person was evacuated from such
 7 abode by reason of Hurricane Katrina, and

8 (3) such person is provided housing free of
 9 charge by the taxpayer in the principal residence of
 10 the taxpayer for a period of 60 consecutive days
 11 which ends in such taxable year.

12 Such term shall not include the spouse or any dependent
 13 of the taxpayer.

14 (d) *COMPENSATION FOR HOUSING.*—No deduction
 15 shall be allowed under this section if the taxpayer receives
 16 any rent or other amount (from any source) in connection
 17 with the providing of such housing.

18 **SEC. 303. INCREASE IN STANDARD MILEAGE RATE FOR**
 19 **CHARITABLE USE OF VEHICLES.**

20 Notwithstanding section 170(i) of the Internal Revenue
 21 Code of 1986, for purposes of computing the deduction
 22 under section 170 of such Code for use of a vehicle described
 23 in subsection (f)(12)(E)(i) of such section for provision of
 24 relief related to Hurricane Katrina during the period begin-
 25 ning on August 25, 2005, and ending on December 31,

1 2006, the standard mileage rate shall be 70 percent of the
 2 standard mileage rate in effect under section 162(a) of such
 3 Code at the time of such use. Any increase under this section
 4 shall be rounded to the next highest cent.

5 **SEC. 304. MILEAGE REIMBURSEMENTS TO CHARITABLE**
 6 **VOLUNTEERS EXCLUDED FROM GROSS IN-**
 7 **COME.**

8 (a) *IN GENERAL.*—For purposes of the Internal Rev-
 9 enue Code of 1986, gross income of an individual for taxable
 10 years ending on or after August 25, 2005, does not include
 11 amounts received, from an organization described in section
 12 170(c) of such Code, as reimbursement of operating expenses
 13 with respect to use of a passenger automobile for the benefit
 14 of such organization in connection with providing relief re-
 15 lating to Hurricane Katrina during the period beginning
 16 on August 25, 2005, and ending on December 31, 2006. The
 17 preceding sentence shall apply only to the extent that the
 18 expenses which are reimbursed would be deductible under
 19 chapter 1 of such Code if section 274(d) of such Code were
 20 applied—

21 (1) by using the standard business mileage rate
 22 in effect under section 162(a) at the time of such use,
 23 and

1 (2) *as if the individual were an employee of an*
 2 *organization not described in section 170(c) of such*
 3 *Code.*

4 (b) *APPLICATION TO VOLUNTEER SERVICES ONLY.—*
 5 *Subsection (a) shall not apply with respect to any expenses*
 6 *relating to the performance of services for compensation.*

7 (c) *NO DOUBLE BENEFIT.—No deduction or credit*
 8 *shall be allowed under any other provision of such Code*
 9 *with respect to the expenses excludable from gross income*
 10 *under subsection (a).*

11 **SEC. 305. CHARITABLE DEDUCTION FOR CONTRIBUTIONS**
 12 **OF FOOD INVENTORY.**

13 (a) *IN GENERAL.—Paragraph (3) of section 170(e) of*
 14 *the Internal Revenue Code of 1986 (relating to special rule*
 15 *for certain contributions of inventory and other property)*
 16 *is amended by redesignating subparagraph (C) as subpara-*
 17 *graph (D) and by inserting after subparagraph (B) the fol-*
 18 *lowing new subparagraph:*

19 “(C) *SPECIAL RULE FOR CONTRIBUTIONS*
 20 *OF FOOD INVENTORY.—*

21 “(i) *GENERAL RULE.—In the case of a*
 22 *charitable contribution of food from any*
 23 *trade or business of the taxpayer, this para-*
 24 *graph shall be applied—*

1 “(I) without regard to whether the
2 contribution is made by a C corpora-
3 tion, and

4 “(II) only to food that is appar-
5 ently wholesome food.

6 “(ii) *LIMITATION.*—In the case of a
7 taxpayer other than a C corporation, the
8 aggregate amount of such contributions for
9 any taxable year which may be taken into
10 account under this section shall not exceed
11 10 percent of the taxpayer’s aggregate net
12 income for such taxable year from all trades
13 or businesses from which such contributions
14 were made for such year, computed without
15 regard to this section.

16 “(iii) *APPARENTLY WHOLESOME*
17 *FOOD.*—For purposes of this subparagraph,
18 the term ‘apparently wholesome food’ has
19 the meaning given to such term by section
20 22(b)(2) of the Bill Emerson Good Samari-
21 tan Food Donation Act (42 U.S.C.
22 1791(b)(2)), as in effect on the date of the
23 enactment of this subparagraph.

1 “(iv) *TERMINATION.*—*This subpara-*
 2 *graph shall not apply to contributions made*
 3 *after December 31, 2005.*”.

4 (b) *EFFECTIVE DATE.*—*The amendment made by this*
 5 *section shall apply to contributions made on or after August*
 6 *28, 2005, in taxable years ending after such date.*

7 **SEC. 306. CHARITABLE DEDUCTION FOR CONTRIBUTIONS**
 8 **OF BOOK INVENTORIES TO PUBLIC SCHOOLS.**

9 (a) *IN GENERAL.*—*Paragraph (3) of section 170(e) of*
 10 *the Internal Revenue Code of 1986 (relating to certain con-*
 11 *tributions of ordinary income and capital gain property),*
 12 *as amended by section 305, is amended by redesignating*
 13 *subparagraph (D) as subparagraph (E) and by inserting*
 14 *after subparagraph (C) the following new subparagraph:*

15 “(D) *SPECIAL RULE FOR CONTRIBUTIONS*
 16 *OF BOOK INVENTORY TO PUBLIC SCHOOLS.*—

17 “(i) *CONTRIBUTIONS OF BOOK INVEN-*
 18 *TORY.*—*In determining whether a qualified*
 19 *book contribution is a qualified contribu-*
 20 *tion, subparagraph (A) shall be applied*
 21 *without regard to whether the donee is an*
 22 *organization described in the matter pre-*
 23 *ceding clause (i) of subparagraph (A).*

24 “(ii) *QUALIFIED BOOK CONTRIBU-*
 25 *TION.*—*For purposes of this paragraph, the*

term ‘qualified book contribution’ means a charitable contribution of books to a public school which is an educational organization described in subsection (b)(1)(A)(ii) and which provides elementary education or secondary education (kindergarten through grade 12).

“(iii) *CERTIFICATION BY DONEE.*—Subparagraph (A) shall not apply to any contribution unless (in addition to the certifications required by subparagraph (A) (as modified by this subparagraph)), the donee certifies in writing that—

“(I) the books are suitable, in terms of currency, content, and quantity, for use in the donee’s educational programs, and

“(II) the donee will use the books in its educational programs.

“(iv) *TERMINATION.*—This subparagraph shall not apply to contributions made after December 31, 2005.”.

(b) *EFFECTIVE DATE.*—The amendments made by this section shall apply to contributions made on or after August 28, 2005, in taxable years ending after such date.

TITLE IV—ADDITIONAL TAX
RELIEF PROVISIONS

SEC. 401. EXCLUSIONS OF CERTAIN CANCELLATIONS OF IN-
DEBTEDNESS BY REASON OF HURRICANE
KATRINA.

(a) *IN GENERAL.*—For purposes of the Internal Revenue Code of 1986, gross income shall not include any amount which (but for this section) would be includible in gross income by reason of the discharge (in whole or in part) of indebtedness of a natural person described in subsection (b) by an applicable entity (as defined in section 6050P(c)(1) of such Code).

(b) *PERSONS DESCRIBED.*—A natural person is described in this subsection if the principal place of abode of such person on August 25, 2005, was located—

(1) *in the core disaster area, or*

(2) *in the Hurricane Katrina disaster area (but outside the core disaster area) and such person suffered economic loss by reason of Hurricane Katrina.*

(c) *EXCEPTIONS.*—

(1) *BUSINESS INDEBTEDNESS.*—Subsection (a) shall not apply to any indebtedness incurred in connection with a trade or business.

(2) *REAL PROPERTY OUTSIDE CORE DISASTER AREA.*—Subsection (a) shall not apply to any dis-

1 *charge of indebtedness to the extent that real property*
 2 *constituting security for such indebtedness is located*
 3 *outside of the Hurricane Katrina disaster area.*

4 *(d) DENIAL OF DOUBLE BENEFIT.—For purposes of*
 5 *the Internal Revenue Code of 1986, the amount excluded*
 6 *from gross income under subsection (a) shall be treated in*
 7 *the same manner as an amount excluded under section*
 8 *108(a) of such Code.*

9 *(e) EFFECTIVE DATE.—This section shall apply to dis-*
 10 *charges made on or after August 25, 2005, and before Janu-*
 11 *ary 1, 2007.*

12 **SEC. 402. SUSPENSION OF CERTAIN LIMITATIONS ON PER-**
 13 **SONAL CASUALTY LOSSES.**

14 *Paragraphs (1) and (2)(A) of section 165(h) of the In-*
 15 *ternal Revenue Code of 1986 shall not apply to losses de-*
 16 *scribed in section 165(c)(3) of such Code which arise in the*
 17 *Hurricane Katrina disaster area on or after August 25,*
 18 *2005, and which are attributable to Hurricane Katrina. In*
 19 *the case of any other losses, section 165(h)(2)(A) of such*
 20 *Code shall be applied without regard to the losses referred*
 21 *to in the preceding sentence.*

1 **SEC. 403. REQUIRED EXERCISE OF AUTHORITY UNDER SEC-**
2 **TION 7508A FOR TAX RELIEF RELATING TO**
3 **HURRICANE KATRINA.**

4 (a) *AUTHORITY INCLUDES SUSPENSION OF PAYMENT*
5 *OF EMPLOYMENT AND EXCISE TAXES.*—Subparagraphs (A)
6 *and (B) of section 7508(a)(1) of the Internal Revenue Code*
7 *of 1986 are amended to read as follows:*

8 “(A) *Filing any return of income, estate,*
9 *gift, employment, or excise tax;*

10 “(B) *Payment of any income, estate, gift,*
11 *employment, or excise tax or any installment*
12 *thereof or of any other liability to the United*
13 *States in respect thereof;”.*

14 (b) *APPLICATION WITH RESPECT TO HURRICANE*
15 *KATRINA.*—*In the case of any taxpayer determined by the*
16 *Secretary of the Treasury to be affected by the Presi-*
17 *dentially declared disaster relating to Hurricane Katrina,*
18 *any relief provided by the Secretary of the Treasury under*
19 *section 7508A of the Internal Revenue Code of 1986 shall*
20 *be for a period ending not earlier than February 28, 2006,*
21 *and shall be treated as applying to the filing of returns*
22 *relating to, and the payment of, employment and excise*
23 *taxes.*

24 (c) *EFFECTIVE DATE.*—*The amendment made by sub-*
25 *section (a) shall apply for any period for performing an*
26 *act which has not expired before August 25, 2005.*

1 **SEC. 404. SPECIAL RULES FOR MORTGAGE REVENUE**
 2 **BONDS.**

3 (a) *IN GENERAL.*—*In the case of financing provided*
 4 *with respect to a qualified Hurricane Katrina recovery resi-*
 5 *dence, subsection (d) of section 143 of the Internal Revenue*
 6 *Code of 1986 shall be applied as if such residence were a*
 7 *targeted area residence.*

8 (b) *QUALIFIED HURRICANE KATRINA RECOVERY RES-*
 9 *IDENCE.*—*For purposes of this section, the term “qualified*
 10 *Hurricane Katrina recovery residence” means—*

11 (1) *any residence in the core disaster area, and*
 12 (2) *any other residence if—*

13 (A) *such other residence is located in the*
 14 *same State as the principal residence referred to*
 15 *in subparagraph (B), and*

16 (B) *the mortgagor with respect to such other*
 17 *residence owned a principal residence on August*
 18 *28, 2005, which—*

19 (i) *was located in the Hurricane*
 20 *Katrina disaster area, and*

21 (ii) *was rendered uninhabitable by rea-*
 22 *son of Hurricane Katrina.*

23 (c) *SPECIAL RULE FOR HOME IMPROVEMENT*
 24 *LOANS.*—*In the case of any loan with respect to a residence*
 25 *in the Hurricane Katrina disaster area, section 143(k)(4)*
 26 *of such Code shall be applied by substituting \$150,000 for*

1 *the dollar amount contained therein to the extent such loan*
 2 *is for the repair of damage by reason of Hurricane Katrina.*

3 (d) *APPLICATION.*—Subsection (a) shall not apply to
 4 *financing provided after December 31, 2007.*

5 **SEC. 405. EXTENSION OF REPLACEMENT PERIOD FOR NON-**
 6 **RECOGNITION OF GAIN FOR PROPERTY LO-**
 7 **CATED IN HURRICANE KATRINA DISASTER**
 8 **AREA.**

9 *Clause (i) of section 1033(a)(2)(B) of the Internal Rev-*
 10 *enue Code of 1986 shall be applied by substituting “5 years”*
 11 *for “2 years” with respect to property in the Hurricane*
 12 *Katrina disaster area which is compulsorily or involun-*
 13 *tarily converted on or after August 25, 2005, by reason of*
 14 *Hurricane Katrina, but only if substantially all of the use*
 15 *of the replacement property is in such area.*

16 **SEC. 406. SPECIAL RULE FOR DETERMINING EARNED IN-**
 17 **COME.**

18 (a) *IN GENERAL.*—In the case of a qualified indi-
 19 *vidual, if the earned income of the taxpayer for the taxable*
 20 *year which includes August 25, 2005, is less than the earned*
 21 *income of the taxpayer for the preceding taxable year, the*
 22 *credits allowed under sections 24(d) and 32 of the Internal*
 23 *Revenue Code of 1986 may, at the election of the taxpayer,*
 24 *be determined by substituting—*

1 (1) *such earned income for the preceding taxable*
 2 *year, for*

3 (2) *such earned income for the taxable year*
 4 *which includes August 25, 2005.*

5 (b) *QUALIFIED INDIVIDUAL.*—*For purposes of this sec-*
 6 *tion, the term “qualified individual” means any individual*
 7 *whose principal place of abode on August 25, 2005, was*
 8 *located—*

9 (1) *in the core disaster area, or*

10 (2) *in the Hurricane Katrina disaster area (but*
 11 *outside the core disaster area) and such individual*
 12 *was displaced from such principal place of abode by*
 13 *reason of Hurricane Katrina.*

14 (c) *EARNED INCOME.*—*For purposes of this section, the*
 15 *term “earned income” has the meaning given such term*
 16 *under section 32(c) of such Code.*

17 (d) *SPECIAL RULES.*—

18 (1) *APPLICATION TO JOINT RETURNS.*—*For pur-*
 19 *pose of subsection (a), in the case of a joint return for*
 20 *a taxable year which includes August 25, 2005—*

21 (A) *such subsection shall apply if either*
 22 *spouse is a qualified individual, and*

23 (B) *the earned income of the taxpayer for*
 24 *the preceding taxable year shall be the sum of the*

1 *earned income of each spouse for such preceding*
 2 *taxable year.*

3 (2) *UNIFORM APPLICATION OF ELECTION.—Any*
 4 *election made under subsection (a) shall apply with*
 5 *respect to both section 24(d) and section 32 of such*
 6 *Code.*

7 (3) *ERRORS TREATED AS MATHEMATICAL*
 8 *ERROR.—For purposes of section 6213 of such Code,*
 9 *an incorrect use on a return of earned income pursu-*
 10 *ant to subsection (a) shall be treated as a mathe-*
 11 *matical or clerical error.*

12 (4) *NO EFFECT ON DETERMINATION OF GROSS*
 13 *INCOME, ETC.—Except as otherwise provided in this*
 14 *section, the Internal Revenue Code of 1986 shall be*
 15 *applied without regard to any substitution under sub-*
 16 *section (a).*

17 **SEC. 407. SECRETARIAL AUTHORITY TO MAKE ADJUST-**
 18 **MENTS REGARDING TAXPAYER AND DEPEND-**
 19 **ENCY STATUS.**

20 *With respect to taxable years beginning in 2005 or*
 21 *2006, the Secretary of the Treasury or the Secretary's dele-*
 22 *gate may make such adjustments in the application of the*
 23 *internal revenue laws as may be necessary to ensure that*
 24 *taxpayers do not lose any deduction or credit or experience*
 25 *a change of filing status by reason of temporary relocations*

1 *by reason of Hurricane Katrina. Any adjustments made*
2 *under the preceding sentence shall ensure that an indi-*
3 *vidual is not taken into account by more than one taxpayer*
4 *with respect to the same tax benefit.*

5 ***TITLE V—EMERGENCY***
6 ***REQUIREMENT***

7 ***SEC. 501. EMERGENCY REQUIREMENT.***

8 *Any provision of this Act causing an effect on receipts,*
9 *budget authority, or outlays is designated as an emergency*
10 *requirement pursuant to section 402 of H. Con. Res. 95*
11 *(109th Congress).*

Attest:

Clerk.

109TH CONGRESS
1ST SESSION

H.R. 3768

**HOUSE AMENDMENT TO
SENATE AMENDMENT**