

109TH CONGRESS  
1ST SESSION

# S. 1696

To provide tax relief for the victims of Hurricane Katrina, to provide incentives for charitable giving, and for other purposes.

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IN THE SENATE OF THE UNITED STATES

SEPTEMBER 13, 2005

Mr. GRASSLEY (for himself, Mr. BAUCUS, Mr. LOTT, Ms. LANDRIEU, Mr. VITTER, Mr. COCHRAN, and Mr. SHELBY) introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To provide tax relief for the victims of Hurricane Katrina, to provide incentives for charitable giving, and for other purposes.

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

3 **SECTION 1. SHORT TITLE; AMENDMENT OF 1986 CODE;**

4 **TABLE OF CONTENTS.**

5 (a) SHORT TITLE.—This Act may be cited as the  
6 “Hurricane Katrina Tax Relief Act of 2005”.

7 (b) AMENDMENT OF 1986 CODE.—Except as other-  
8 wise expressly provided, whenever in this Act an amend-  
9 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 for  
 5 this Act is as follows:

Sec. 1. Short title; amendment of 1986 Code; table of contents.  
 Sec. 2. Hurricane Katrina disaster area.

#### TITLE I—PENALTY FREE USE OF RETIREMENT FUNDS BY NATURAL DISASTER VICTIMS

Sec. 101. Penalty free withdrawals from retirement plans for victims of feder-  
ally declared natural disasters.  
 Sec. 102. Income averaging for disaster-relief distributions related to Hurricane  
Katrina.  
 Sec. 103. Recontributions of withdrawals for home purchases cancelled due to  
Hurricane Katrina.  
 Sec. 104. Loans from qualified plans to victims of Hurricane Katrina.  
 Sec. 105. Provisions relating to plan amendments.

#### TITLE II—EMPLOYMENT RELIEF

Sec. 201. Work opportunity tax credit for Hurricane Katrina employee sur-  
vivors.  
 Sec. 202. Payroll maintenance tax credit for employers affected by Hurricane  
Katrina.

#### TITLE III—CHARITABLE GIVING INCENTIVES

Sec. 301. Temporary increase in limitation on individual and corporate chari-  
table cash contributions.  
 Sec. 302. Tax-free distributions from individual retirement accounts for chari-  
table purposes.  
 Sec. 303. Charitable deduction for contributions of food inventories.  
 Sec. 304. Charitable deduction for contributions of book inventories.  
 Sec. 305. Additional personal exemption amount for Hurricane Katrina house-  
guest.  
 Sec. 306. Increase in standard mileage rate for charitable use of passenger  
automobile.

#### TITLE IV—ADDITIONAL TAX RELIEF PROVISIONS

Sec. 401. Exclusions of certain cancellations of indebtedness for victims of Hur-  
ricane Katrina.  
 Sec. 402. Modification to casualty loss rules for victims of Hurricane Katrina.  
 Sec. 403. Required exercise of authority under section 7508A for tax relief for  
victims of Hurricane Katrina.  
 Sec. 404. Renewal of special mortgage financing rules for residences located in  
Hurricane Katrina disaster area.  
 Sec. 405. Extension of replacement period for nonrecognition of gain for prop-  
erty located in Hurricane Katrina disaster area.

## TITLE V—ADDITIONAL PROVISIONS

Sec. 501. Disclosure to State officials of proposed actions related to exempt organizations.

Sec. 502. Dedication and use of certain fees.

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

2 For purposes of this Act, the term “Hurricane  
3 Katrina disaster area” means an area—

4 (1) with respect to which a major disaster has  
5 been declared by the President before September 14,  
6 2005, under section 401 of the Robert T. Stafford  
7 Disaster Relief and Emergency Assistance Act in  
8 connection with Hurricane Katrina, and

9 (2) which is determined by the President before  
10 such date to warrant individual assistance, or indi-  
11 vidual and public assistance, from the Federal Gov-  
12 ernment under such Act.

**13 TITLE I—PENALTY FREE USE OF**  
**14 RETIREMENT FUNDS BY NAT-**  
**15 URAL DISASTER VICTIMS**

**16 SEC. 101. PENALTY FREE WITHDRAWALS FROM RETIRE-**  
**17 MENT PLANS FOR VICTIMS OF FEDERALLY**  
**18 DECLARED NATURAL DISASTERS.**

19 (a) IN GENERAL.—Paragraph (2) of section 72(t)  
20 (relating to 10-percent additional tax on early distribu-  
21 tions from qualified retirement plans) is amended by add-  
22 ing at the end the following new subparagraph:

1           “(G) DISTRIBUTIONS FROM RETIREMENT  
 2           PLANS TO VICTIMS OF FEDERALLY DECLARED  
 3           NATURAL DISASTERS.—

4                   “(i) IN GENERAL.—Any qualified dis-  
 5           aster-relief distribution.

6                   “(ii) AMOUNT DISTRIBUTED MAY BE  
 7           REPAID.—

8                   “(I) IN GENERAL.—Any indi-  
 9           vidual who receives a qualified dis-  
 10          aster-relief distribution may, at any  
 11          time during the 3-year period begin-  
 12          ning on the day after the date on  
 13          which such distribution was made,  
 14          make one or more contributions in an  
 15          aggregate amount not to exceed the  
 16          amount of such distribution to an eli-  
 17          gible retirement plan (as defined in  
 18          section 402(c)(8)(B)) of which such  
 19          individual is a beneficiary and to  
 20          which a rollover contribution of such  
 21          distribution could be made under sec-  
 22          tion 402(c), 403(a)(4), 403(b)(8), or  
 23          408(d)(3), as the case may be.

24                   “(II) TREATMENT OF REPAY-  
 25          MENTS FOR DISTRIBUTIONS FROM EL-

1                   IGIBLE RETIREMENT PLANS OTHER  
2                   THAN IRAS.—For purposes of this  
3                   title, if a contribution is made pursu-  
4                   ant to subclause (I) with respect to a  
5                   qualified disaster-relief distribution  
6                   from an eligible retirement plan (as so  
7                   defined) other than an individual re-  
8                   tirement plan, then the taxpayer shall,  
9                   to the extent of the amount of the  
10                  contribution, be treated as having re-  
11                  ceived the qualified disaster-relief dis-  
12                  tribution in an eligible rollover dis-  
13                  tribution (as defined in section  
14                  402(c)(4)) and as having transferred  
15                  the amount to the eligible retirement  
16                  plan in a direct trustee to trustee  
17                  transfer within 60 days of the dis-  
18                  tribution.

19                         “(III) TREATMENT OF REPAY-  
20                         MENTS FOR DISTRIBUTIONS FROM  
21                         IRAS.—For purposes of this title, if a  
22                         contribution is made pursuant to sub-  
23                         clause (I) with respect to a qualified  
24                         disaster-relief distribution from an in-  
25                         dividual retirement plan, then, to the

1 extent of the amount of the contribu-  
 2 tion, the qualified disaster-relief dis-  
 3 tribution shall be treated as a dis-  
 4 tribution described in section  
 5 408(d)(3) and as having been trans-  
 6 ferred to the eligible retirement plan  
 7 in a direct trustee to trustee transfer  
 8 within 60 days of the distribution.

9 “(IV) APPLICATION TO GOVERN-  
 10 MENTAL SECTION 457 PLANS.—In de-  
 11 termining whether any distribution is  
 12 a qualified disaster-relief distribution  
 13 for purposes of this clause, an eligible  
 14 deferred compensation plan (as de-  
 15 fined in section 457(b)) maintained by  
 16 an employer described in section  
 17 457(e)(1)(A) shall be treated as a  
 18 qualified retirement plan.

19 “(iii) QUALIFIED DISASTER-RELIEF  
 20 DISTRIBUTION.—For purposes of this sub-  
 21 paragraph, the term ‘qualified disaster-re-  
 22 lief distribution’ means any distribution—

23 “(I) to an individual who has  
 24 sustained a loss as a result of a major  
 25 disaster declared under section 401 of

1 the Robert T. Stafford Disaster Relief  
 2 and Emergency Assistance Act and  
 3 who has a principal place of abode im-  
 4 mediately before the declaration in a  
 5 qualified disaster area, and

6 “(II) which is made during the 1-  
 7 year period beginning on the date  
 8 such declaration is made.

9 “(iv) QUALIFIED DISASTER AREA.—  
 10 For purposes of this subparagraph, the  
 11 term ‘qualified disaster area’ means an  
 12 area—

13 “(I) with respect to which a  
 14 major disaster has been declared by  
 15 the President under section 401 of the  
 16 Robert T. Stafford Disaster Relief  
 17 and Emergency Assistance Act, and

18 “(II) which is determined by the  
 19 President to warrant individual assist-  
 20 ance, or individual and public assist-  
 21 ance, from the Federal Government  
 22 under such Act.”.

23 (b) EXEMPTION OF DISTRIBUTIONS FROM TRUSTEE  
 24 TO TRUSTEE TRANSFER AND WITHHOLDING RULES.—  
 25 Paragraph (4) of section 402(c) (relating to eligible roll-

1 over distribution) is amended by striking “and” at the end  
 2 of subparagraph (B), by striking the period at the end  
 3 of subparagraph (C) and inserting “, and”, and by insert-  
 4 ing at the end the following new subparagraph:

5 “(D) any qualified disaster-relief distribu-  
 6 tion (within the meaning of section  
 7 72(t)(2)(G)).”.

8 (c) CONFORMING AMENDMENTS.—

9 (1) Section 401(k)(2)(B)(i) is amended by  
 10 striking “or” at the end of subclause (III), by strik-  
 11 ing “and” at the end of subclause (IV) and inserting  
 12 “or”, and by inserting after subclause (IV) the fol-  
 13 lowing new subclause:

14 “(V) the date on which a period  
 15 referred to in section  
 16 72(t)(2)(G)(iii)(II) begins (but only to  
 17 the extent provided in section  
 18 72(t)(2)(G)), and”.

19 (2) Section 403(b)(7)(A)(ii) is amended by in-  
 20 serting “sustains a loss as a result of a major dis-  
 21 aster declared under section 401 of the Robert T.  
 22 Stafford Disaster Relief and Emergency Assistance  
 23 Act (but only to the extent provided in section  
 24 72(t)(2)(G)),” before “or”.



1           (3) Section 403(b)(11) is amended by striking  
 2           “or” at the end of subparagraph (A), by striking the  
 3           period at the end of subparagraph (B) and inserting  
 4           “, or”, and by inserting after subparagraph (B) the  
 5           following new subparagraph:

6                       “(C) for distributions to which section  
 7                       72(t)(2)(G) applies.”.

8           (d) EFFECTIVE DATE.—The amendments made by  
 9           this section shall apply to distributions received after Au-  
 10          gust 28, 2005.

11   **SEC. 102. INCOME AVERAGING FOR DISASTER-RELIEF DIS-**  
 12                       **TRIBUTIONS RELATED TO HURRICANE**  
 13                       **KATRINA.**

14          (a) IN GENERAL.—In the case of any qualified dis-  
 15          aster-relief distribution (within the meaning of section  
 16          72(t)(2)(G) of the Internal Revenue Code of 1986) from  
 17          a qualified retirement plan (as defined in section 4974(c)  
 18          of such Code) to a qualified individual, unless the taxpayer  
 19          elects not to have this section apply for any taxable year,  
 20          any amount required to be included in gross income for  
 21          such taxable year shall be so included ratably over the 3-  
 22          taxable year period beginning with such taxable year.

23          (b) SPECIAL RULES.—

24                       (1) APPLICATION TO GOVERNMENTAL SECTION  
 25          457 PLANS.—In determining whether any distribu-

1        tion is a qualified disaster-relief distribution (as so  
 2        defined) for purposes of this section, an eligible de-  
 3        ferred compensation plan (as defined in section  
 4        457(b) of such Code) maintained by an employer de-  
 5        scribed in section 457(e)(1)(A) of such Code shall be  
 6        treated as a qualified retirement plan (as so de-  
 7        fined).

8            (2) CERTAIN RULES TO APPLY.—Rules similar  
 9        to the rules of subparagraph (E) of section  
 10       408A(d)(3) of such Code shall apply for purposes of  
 11       this section.

12        (c) QUALIFIED INDIVIDUAL.—For purposes of this  
 13       section, the term “qualified individual” means an indi-  
 14       vidual who has sustained a loss as a result of the major  
 15       disaster declared under section 401 of the Robert T. Staf-  
 16       ford Disaster Relief and Emergency Assistance Act (42  
 17       U.S.C. 5170) in connection with Hurricane Katrina and  
 18       who has a principal place of abode immediately before the  
 19       declaration in a Hurricane Katrina disaster area.

20       **SEC. 103. RECONTRIBUTIONS OF WITHDRAWALS FOR HOME**  
 21                                **PURCHASES CANCELLED DUE TO HURRI-**  
 22                                **CANE KATRINA.**

23        (a) RECONTRIBUTIONS.—

24            (1) IN GENERAL.—Any individual who received  
 25        a qualified distribution may, at any time during the

1       6-month period beginning on the day after the dis-  
2       aster declaration date, make one or more contribu-  
3       tions in an aggregate amount not to exceed the  
4       amount of such qualified distribution to an eligible  
5       retirement plan (as defined in section 402(c)(8)(B)  
6       of the Internal Revenue Code of 1986) of which such  
7       individual is a beneficiary and to which a rollover  
8       contribution of such distribution could be made  
9       under section 402(c), 403(a)(4), 403(b)(8),  
10      408(d)(3), or 457(e)(16) of such Code, as the case  
11      may be.

12           (2) TREATMENT OF REPAYMENTS.—

13               (A) TREATMENT OF REPAYMENTS FOR  
14               DISTRIBUTIONS FROM ELIGIBLE RETIREMENT  
15               PLANS OTHER THAN IRAS.—For purposes of  
16               the Internal Revenue Code of 1986, if a con-  
17               tribution is made pursuant to paragraph (1)  
18               with respect to a qualified distribution from an  
19               eligible retirement plan (as so defined) other  
20               than an individual retirement plan (as defined  
21               in section 7701(a)(37) of such Code), then the  
22               taxpayer shall, to the extent of the amount of  
23               the contribution, be treated as having received  
24               the qualified distribution in an eligible rollover  
25               distribution (as defined in section 402(c)(4) of

such Code) and as having transferred the amount to the eligible retirement plan in a direct trustee to trustee transfer within 60 days of the distribution.

(B) TREATMENT OF REPAYMENTS FOR DISTRIBUTIONS FROM IRAS.—For purposes of the Internal Revenue Code of 1986, if a contribution is made pursuant to paragraph (1) with respect to a qualified distribution from an individual retirement plan (as so defined), then, to the extent of the amount of the contribution, the qualified distribution shall be treated as a distribution described in section 408(d)(3) of such Code and as having been transferred to the eligible retirement plan (as so defined) in a direct trustee to trustee transfer within 60 days of the distribution.

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

(1) QUALIFIED DISTRIBUTION.—The term “qualified distribution” means any distribution—

(A) described in section 401(k)(2)(B)(i)(IV), 403(b)(7)(A)(ii), 403(b)(11)(B), 457(d)(1)(A)(iii), or 72(t)(2)(F) of the Internal Revenue Code of 1986,

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

3 (C) which was to be used to purchase or  
 4 construct a principal residence in a Hurricane  
 5 Katrina disaster area, but which was not so  
 6 purchased or constructed.

7 (2) DISASTER DECLARATION DATE.—The term  
 8 “disaster declaration date” means the date on which  
 9 the President designated the area as a Hurricane  
 10 Katrina disaster area.

11 **SEC. 104. LOANS FROM QUALIFIED PLANS TO VICTIMS OF**  
 12 **HURRICANE KATRINA.**

13 (a) INCREASE IN LIMIT ON LOANS NOT TREATED AS  
 14 DISTRIBUTIONS.—In the case of any loan from a qualified  
 15 employer plan (as defined under section 72(p)(4) of the  
 16 Internal Revenue Code of 1986) to a qualified individual  
 17 (as defined in section 102(c)) made after the date of en-  
 18 actment of this Act and before the date which is 1 year  
 19 after the disaster declaration date (as defined in section  
 20 103(b)(2))—

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

24 (2) clause (ii) of such section shall be applied  
 25 by substituting “the present value of the nonforfeit-

1       able accrued benefit of the employee under the plan”  
2       for “one-half of the present value of the nonforfeit-  
3       able accrued benefit of the employee under the  
4       plan”.

5       (b) DELAY OF REPAYMENT.—In the case of a quali-  
6       fied individual (as defined in section 102(c)) with an out-  
7       standing loan on or after August 26, 2005, from a quali-  
8       fied employer plan (as defined in section 72(p)(4) of the  
9       Internal Revenue Code of 1986)—

10           (1) if the due date pursuant to subparagraph  
11           (B) or (C) of section 72(p)(2) of such Code for any  
12           repayment with respect to such loan occurs during  
13           the period beginning after August 29, 2005, and  
14           ending before August 30, 2006, such due date shall  
15           be delayed for 1 year,

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

20           (3) in determining the 5-year period and the  
21           term of a loan under subparagraph (B) or (C) of  
22           section 72(p)(2) of such Code, such period shall be  
23           disregarded.

1 **SEC. 105. PROVISIONS RELATING TO PLAN AMENDMENTS.**

2 (a) IN GENERAL.—If this section applies to any plan  
3 or contract amendment—

4 (1) such plan or contract shall be treated as  
5 being operated in accordance with the terms of the  
6 plan during the period described in subsection  
7 (b)(2)(A), and

8 (2) except as provided by the Secretary of the  
9 Treasury, such plan shall not fail to meet the re-  
10 quirements of section 411(d)(6) of the Internal Rev-  
11 enue Code of 1986 and section 204(g) of the Em-  
12 ployee Retirement Income Security Act of 1974 by  
13 reason of such amendment.

14 (b) AMENDMENTS TO WHICH SECTION APPLIES.—

15 (1) IN GENERAL.—This section shall apply to  
16 any amendment to any plan or annuity contract  
17 which is made—

18 (A) pursuant to any amendment made by  
19 this title, or pursuant to any regulation issued  
20 by the Secretary of the Treasury or the Sec-  
21 retary of Labor under this title, and

22 (B) on or before the last day of the first  
23 plan year beginning on or after January 1,  
24 2007, or such later date as the Secretary of the  
25 Treasury may prescribe.

1 In the case of a governmental plan (as defined in  
2 section 414(d) of the Internal Revenue Code of  
3 1986), subparagraph (B) shall be applied by sub-  
4 stituting the date which is 2 years after the date  
5 otherwise applied under subparagraph (B).

6 (2) CONDITIONS.—This section shall not apply  
7 to any amendment unless—

8 (A) during the period—

9 (i) beginning on the date the legisla-  
10 tive or regulatory amendment described in  
11 paragraph (1)(A) takes effect (or in the  
12 case of a plan or contract amendment not  
13 required by such legislative or regulatory  
14 amendment, the effective date specified by  
15 the plan), and

16 (ii) ending on the date described in  
17 paragraph (1)(B) (or, if earlier, the date  
18 the plan or contract amendment is adopt-  
19 ed),

20 the plan or contract is operated as if such plan  
21 or contract amendment were in effect; and

22 (B) such plan or contract amendment ap-  
23 plies retroactively for such period.



1 **TITLE II—EMPLOYMENT RELIEF**

2 **SEC. 201. WORK OPPORTUNITY TAX CREDIT FOR HURRI-**  
 3 **CANE KATRINA EMPLOYEE SURVIVORS.**

4 (a) IN GENERAL.—For purposes of section 51 of the  
 5 Internal Revenue Code of 1986, a Hurricane Katrina em-  
 6 ployee survivor shall be treated as a member of a targeted  
 7 group.

8 (b) HURRICANE KATRINA EMPLOYEE SURVIVOR.—  
 9 For purposes of this section, the term “Hurricane Katrina  
 10 employee survivor” means any individual who is certified  
 11 by the designated local agency (as defined in section  
 12 51(d)(11) of such Code) as an individual who—

13 (1) on August 28, 2005, had a principal place  
 14 of abode in a Hurricane Katrina disaster area, and

15 (2) became unemployed as a result of Hurri-  
 16 cane Katrina.

17 (c) SPECIAL RULES FOR DETERMINING CREDIT.—  
 18 For purposes of applying subpart F of part IV of sub-  
 19 chapter A of chapter 1 of such Code to wages paid or in-  
 20 curred to any Hurricane Katrina employee survivor—

21 (1) section 51(c)(4) of such Code shall not  
 22 apply, and

23 (2) except in the case of an employee of the em-  
 24 ployer (within the meaning of section 51 of such

1 Code) on August 28, 2005, section 51(i)(2) of such  
 2 Code shall not apply.

3 (d) APPLICATION OF SECTION.—This section shall  
 4 apply to wages (within the meaning on section 51(c) of  
 5 such Code) paid or incurred to any individual who begins  
 6 work—

7 (1) for an employer during the 1-year period  
 8 beginning on August 29, 2005, or

9 (2) in the case of an individual who is being  
 10 hired for a position the principal place of employ-  
 11 ment of which is located in a Hurricane Katrina dis-  
 12 aster area, for any employer during the 3-year pe-  
 13 riod beginning on such date.

14 **SEC. 202. EMPLOYEE RETENTION CREDIT FOR EMPLOYERS**  
 15 **AFFECTED BY HURRICANE KATRINA.**

16 (a) IN GENERAL.—In the case of an eligible em-  
 17 ployer, there shall be allowed as a credit against the tax  
 18 imposed by chapter 1 of the Internal Revenue Code of  
 19 1986 for the taxable year an amount equal to 40 percent  
 20 of the qualified wages with respect to each eligible em-  
 21 ployee for such taxable year. For purposes of the pre-  
 22 ceding sentence, the amount of qualified wages which may  
 23 be taken into account with respect to any individual shall  
 24 not exceed \$6,000.

25 (b) DEFINITIONS.—For purposes of this section—

1           (1) ELIGIBLE EMPLOYER.—The term “eligible  
2 employer” means any employer—

3           (A) which conducted an active trade or  
4 business on August 28, 2005, in a Hurricane  
5 Katrina disaster area, and

6           (B) with respect to whom the trade or  
7 business described in subparagraph (A) is inop-  
8 erable on any day after August 28, 2005, and  
9 before January 1, 2006, as a result of damage  
10 sustained in connection with Hurricane  
11 Katrina.

12          (2) ELIGIBLE EMPLOYEE.—The term “eligible  
13 employee” means—

14          (A) an employee of an eligible employer  
15 whose principal place of employment on August  
16 28, 2005, was in a Hurricane Katrina disaster  
17 area, or

18          (B) a Ready Reserve-National Guard em-  
19 ployee of an eligible employer who is performing  
20 qualified active duty and whose principal place  
21 of employment immediately before the date on  
22 which such employee began performing such  
23 qualified active duty was in a Hurricane  
24 Katrina disaster area.

(3) QUALIFIED WAGES.—The term “qualified wages” means wages (as defined in section 51(c)(1) of the Internal Revenue Code of 1986, but without regard to section 3306(b)(2)(B) of such Code) paid or incurred by an eligible employer with respect to an eligible employee on any day after August 28, 2005, and before January 1, 2006, which occurs during the period—

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

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

Such term shall include wages paid without regard to whether the employee performs no services, performs services at a different place of employment than such principal place of employment, or performs services at such principal place of employment before significant operations have resumed.

(4) READY RESERVE-NATIONAL GUARD EMPLOYEE.—The term “Ready Reserve-National Guard employee” means an employee who is a mem-

1       ber of the Ready Reserve of a reserve component of  
 2       an Armed Force of the United States as described  
 3       in section 10142 and 10101 of title 10, United  
 4       States Code and who is performing qualified active  
 5       duty.

6           (5) QUALIFIED ACTIVE DUTY.—The term  
 7       “qualified active duty” means—

8           (A) active duty, other than the training  
 9       duty specified in section 10147 of title 10,  
 10       United States Code (relating to training re-  
 11       quirements for Ready Reserve), or section  
 12       502(a) of title 32, United States Code (relating  
 13       to required drills and field exercises for the Na-  
 14       tional Guard), in connection with which an em-  
 15       ployee is entitled to reemployment rights and  
 16       other benefits or to a leave of absence from em-  
 17       ployment under chapter 43 of title 38, United  
 18       States Code, and

19           (B) hospitalization incident to such duty.

20       (c) CERTAIN RULES TO APPLY.—For purposes of  
 21       this section, rules similar to the rules of sections 51(i)(1),  
 22       52, and 280C(a) of the Internal Revenue Code of 1986  
 23       of the shall apply.

24       (d) NO DOUBLE BENEFIT.—No credit shall be al-  
 25       lowed under this section with respect to wages for which

1 a credit is determined under section 51 of the Internal  
2 Revenue Code of 1986 (after application of section 201).

3 (e) CREDIT TO BE PART OF GENERAL BUSINESS  
4 CREDIT.—The credit allowed under this section shall be  
5 added to the current year business credit under section  
6 38(b) of the Internal Revenue Code of 1986 and shall be  
7 treated as a credit allowed under subpart D of part IV  
8 of subchapter A of chapter 1 of such Code.

## 9 **TITLE III—CHARITABLE GIVING** 10 **INCENTIVES**

### 11 **SEC. 301. TEMPORARY INCREASE IN LIMITATION ON INDIVIDUAL AND CORPORATE CHARITABLE CASH** 12 **CONTRIBUTIONS.**

14 (a) IN GENERAL.—In the case of qualified contribu-  
15 tions made during the period beginning on August 29,  
16 2005, and ending on December 31, 2005, in the case of  
17 any taxable year which includes any portion of such pe-  
18 riod—

19 (1) subsection (b)(1)(A) of section 170 of the  
20 Internal Revenue Code of 1986 shall be applied sep-  
21 arately—

22 (A) first without regard to such contribu-  
23 tions, and

24 (B) next with regard to such contributions  
25 by substituting “60 percent of the taxpayer’s

1 contribution base less the other contributions  
 2 allowable under this paragraph for the taxable  
 3 year” for “50 percent of the taxpayer’s con-  
 4 tribution base for the taxable year”, and

5 (2) subsection (b)(2) of section 170 of such  
 6 Code shall be applied separately—

7 (A) first without regard to such contribu-  
 8 tions, and

9 (B) next with regard to such contributions  
 10 by substituting “15 percent of the taxpayer’s  
 11 taxable income less the other charitable con-  
 12 tributions allowable for the taxable year” for  
 13 “10 percent of the taxpayer’s taxable income”.

14 (b) QUALIFIED CONTRIBUTIONS.—For purposes of  
 15 this section, the term “qualified contributions” means any  
 16 charitable contributions (as defined in section 170(c) of  
 17 such Code) made in cash to an organization described in  
 18 section 170(b)(1)(A) of such Code.

19 (c) APPLICATION OF CARRYOVER RULES.—To the  
 20 extent qualified contributions increase the amount allow-  
 21 able under section 170 of such Code by reason of sub-  
 22 section (a), such contributions shall not be taken into ac-  
 23 count under section 170(d) of such Code.

24 (d) FISCAL YEAR TAXPAYERS.—In the case of a tax-  
 25 payer whose taxable year ends after August 28, 2005, and

1 before December 31, 2005, subsection (a) shall apply to  
 2 only the one taxable year that the taxpayer elects.

3 **SEC. 302. TAX-FREE DISTRIBUTIONS FROM INDIVIDUAL RE-**  
 4 **TIREMENT ACCOUNTS FOR CHARITABLE**  
 5 **PURPOSES.**

6 (a) IN GENERAL.—Subsection (d) of section 408 (re-  
 7 lating to individual retirement accounts) is amended by  
 8 adding at the end the following new paragraph:

9 “(8) DISTRIBUTIONS FOR CHARITABLE PUR-  
 10 POSES.—

11 “(A) IN GENERAL.—No amount shall be  
 12 includible in gross income by reason of a quali-  
 13 fied charitable distribution.

14 “(B) QUALIFIED CHARITABLE DISTRIBUTION.—For purposes of this paragraph, the  
 15 term ‘qualified charitable distribution’ means  
 16 any distribution from an individual retirement  
 17 account—  
 18

19 “(i) which is made directly by the  
 20 trustee—

21 “(I) to an organization described  
 22 in section 170(c), or

23 “(II) to a split-interest entity,  
 24 and

25 “(ii) which is made on or after—



1 “(I) in the case of any distribu-  
 2 tion described in clause (i)(I), the  
 3 date that the individual for whose  
 4 benefit the account is maintained has  
 5 attained age 70½, and

6 “(II) in the case of any distribu-  
 7 tion described in clause (i)(II), the  
 8 date that such individual has attained  
 9 age 59½.

10 A distribution shall be treated as a qualified  
 11 charitable distribution only to the extent that  
 12 the distribution would be includible in gross in-  
 13 come without regard to subparagraph (A) and,  
 14 in the case of a distribution to a split-interest  
 15 entity, only if no person holds an income inter-  
 16 est in the amounts in the split-interest entity  
 17 attributable to such distribution other than one  
 18 or more of the following: the individual for  
 19 whose benefit such account is maintained, the  
 20 spouse of such individual, or any organization  
 21 described in section 170(c).

22 “(C) CONTRIBUTIONS MUST BE OTHER-  
 23 WISE DEDUCTIBLE.—For purposes of this para-  
 24 graph—

1                   “(i) DIRECT CONTRIBUTIONS.—A dis-  
 2                   tribution to an organization described in  
 3                   section 170(c) shall be treated as a quali-  
 4                   fied charitable distribution only if a deduc-  
 5                   tion for the entire distribution would be al-  
 6                   lowable under section 170 (determined  
 7                   without regard to subsection (b) thereof  
 8                   and this paragraph).

9                   “(ii) SPLIT-INTEREST GIFTS.—A dis-  
 10                  tribution to a split-interest entity shall be  
 11                  treated as a qualified charitable distribu-  
 12                  tion only if a deduction for the entire value  
 13                  of the interest in the distribution for the  
 14                  use of an organization described in section  
 15                  170(c) would be allowable under section  
 16                  170 (determined without regard to sub-  
 17                  section (b) thereof and this paragraph).

18               “(D) APPLICATION OF SECTION 72.—Not-  
 19               withstanding section 72, in determining the ex-  
 20               tent to which a distribution is a qualified chari-  
 21               table distribution, the entire amount of the dis-  
 22               tribution shall be treated as includible in gross  
 23               income without regard to subparagraph (A) to  
 24               the extent that such amount does not exceed  
 25               the aggregate amount which would have been so

1 includible if all amounts were distributed from  
 2 all individual retirement accounts treated as 1  
 3 contract under paragraph (2)(A) for purposes  
 4 of determining the inclusion on such distribu-  
 5 tion under section 72. Proper adjustments shall  
 6 be made in applying section 72 to other dis-  
 7 tributions in such taxable year and subsequent  
 8 taxable years.

9 “(E) SPECIAL RULES FOR SPLIT-INTEREST  
 10 ENTITIES.—

11 “(i) CHARITABLE REMAINDER  
 12 TRUSTS.—Notwithstanding section 664(b),  
 13 distributions made from a trust described  
 14 in subparagraph (G)(i) shall be treated as  
 15 ordinary income in the hands of the bene-  
 16 ficiary to whom is paid the annuity de-  
 17 scribed in section 664(d)(1)(A) or the pay-  
 18 ment described in section 664(d)(2)(A).

19 “(ii) POOLED INCOME FUNDS.—No  
 20 amount shall be includible in the gross in-  
 21 come of a pooled income fund (as defined  
 22 in subparagraph (G)(ii)) by reason of a  
 23 qualified charitable distribution to such  
 24 fund, and all distributions from the fund  
 25 which are attributable to qualified chari-

1           table distributions shall be treated as ordi-  
 2           nary income to the beneficiary.

3           “(iii) CHARITABLE GIFT ANNU-  
 4           ITIES.—Qualified charitable distributions  
 5           made for a charitable gift annuity shall not  
 6           be treated as an investment in the con-  
 7           tract.

8           “(F) DENIAL OF DEDUCTION.—Qualified  
 9           charitable distributions shall not be taken into  
 10          account in determining the deduction under sec-  
 11          tion 170.

12          “(G) SPLIT-INTEREST ENTITY DEFINED.—  
 13          For purposes of this paragraph, the term ‘split-  
 14          interest entity’ means—

15               “(i) a charitable remainder annuity  
 16               trust or a charitable remainder unitrust  
 17               (as such terms are defined in section  
 18               664(d)) which must be funded exclusively  
 19               by qualified charitable distributions,

20               “(ii) a pooled income fund (as defined  
 21               in section 642(c)(5)), but only if the fund  
 22               accounts separately for amounts attrib-  
 23               utable to qualified charitable distributions,  
 24               and

1 “(iii) a charitable gift annuity (as de-  
 2 fined in section 501(m)(5)).

3 “(H) APPLICATION.—This paragraph shall  
 4 apply to distributions made after August 28,  
 5 2005, and before January 1, 2006.”.

6 (b) MODIFICATIONS RELATING TO INFORMATION RE-  
 7 TURNS BY CERTAIN TRUSTS.—

8 (1) RETURNS.—Section 6034 (relating to re-  
 9 turns by trusts described in section 4947(a)(2) or  
 10 claiming charitable deductions under section 642(c))  
 11 is amended to read as follows:

12 **“SEC. 6034. RETURNS BY TRUSTS DESCRIBED IN SECTION**  
 13 **4947(a)(2) OR CLAIMING CHARITABLE DEDUC-**  
 14 **TIONS UNDER SECTION 642(c).**

15 “(a) TRUSTS DESCRIBED IN SECTION 4947(a)(2).—  
 16 Every trust described in section 4947(a)(2) shall furnish  
 17 such information with respect to the taxable year as the  
 18 Secretary may by forms or regulations require.

19 “(b) TRUSTS CLAIMING A CHARITABLE DEDUCTION  
 20 UNDER SECTION 642(c).—

21 “(1) IN GENERAL.—Every trust not required to  
 22 file a return under subsection (a) but claiming a de-  
 23 duction under section 642(c) for the taxable year  
 24 shall furnish such information with respect to such

1 taxable year as the Secretary may by forms or regu-  
 2 lations prescribe, including—

3 “(A) the amount of the deduction taken  
 4 under section 642(c) within such year,

5 “(B) the amount paid out within such year  
 6 which represents amounts for which deductions  
 7 under section 642(c) have been taken in prior  
 8 years,

9 “(C) the amount for which such deductions  
 10 have been taken in prior years but which has  
 11 not been paid out at the beginning of such year,

12 “(D) the amount paid out of principal in  
 13 the current and prior years for the purposes de-  
 14 scribed in section 642(c),

15 “(E) the total income of the trust within  
 16 such year and the expenses attributable thereto,  
 17 and

18 “(F) a balance sheet showing the assets, li-  
 19 abilities, and net worth of the trust as of the  
 20 beginning of such year.

21 “(2) EXCEPTIONS.—Paragraph (1) shall not  
 22 apply to a trust for any taxable year if—

23 “(A) all the net income for such year, de-  
 24 termined under the applicable principles of the

1 law of trusts, is required to be distributed cur-  
 2 rently to the beneficiaries, or

3 “(B) the trust is described in section  
 4 4947(a)(1).”.

5 (2) INCREASE IN PENALTY RELATING TO FIL-  
 6 ING OF INFORMATION RETURN BY SPLIT-INTEREST  
 7 TRUSTS.—Paragraph (2) of section 6652(c) (relating  
 8 to returns by exempt organizations and by certain  
 9 trusts) is amended by adding at the end the fol-  
 10 lowing new subparagraph:

11 “(C) SPLIT-INTEREST TRUSTS.—In the  
 12 case of a trust which is required to file a return  
 13 under section 6034(a), subparagraphs (A) and  
 14 (B) of this paragraph shall not apply and para-  
 15 graph (1) shall apply in the same manner as if  
 16 such return were required under section 6033,  
 17 except that—

18 “(i) the 5 percent limitation in the  
 19 second sentence of paragraph (1)(A) shall  
 20 not apply,

21 “(ii) in the case of any trust with  
 22 gross income in excess of \$250,000, the  
 23 first sentence of paragraph (1)(A) shall be  
 24 applied by substituting ‘\$100’ for ‘\$20’,  
 25 and the second sentence thereof shall be

1 applied by substituting ‘\$50,000’ for  
 2 ‘\$10,000’, and  
 3 “(iii) the third sentence of paragraph  
 4 (1)(A) shall be disregarded.

5 In addition to any penalty imposed on the trust  
 6 pursuant to this subparagraph, if the person re-  
 7 quired to file such return knowingly fails to file  
 8 the return, such penalty shall also be imposed  
 9 on such person who shall be personally liable  
 10 for such penalty.”.

11 (3) CONFIDENTIALITY OF NONCHARITABLE  
 12 BENEFICIARIES.—Subsection (b) of section 6104  
 13 (relating to inspection of annual information re-  
 14 turns) is amended by adding at the end the fol-  
 15 lowing new sentence: “In the case of a trust which  
 16 is required to file a return under section 6034(a),  
 17 this subsection shall not apply to information re-  
 18 garding beneficiaries which are not organizations de-  
 19 scribed in section 170(c).”.

20 (c) EFFECTIVE DATES.—

21 (1) SUBSECTION (a).—The amendment made  
 22 by subsection (a) shall apply to distributions made  
 23 after August 28, 2005.



1           (2) SUBSECTION (b).—The amendments made  
 2       by subsection (b) shall apply to returns for taxable  
 3       years beginning after December 31, 2004.

4   **SEC. 303. CHARITABLE DEDUCTION FOR CONTRIBUTIONS**  
 5       **OF FOOD INVENTORIES.**

6       (a) IN GENERAL.—Subsection (e) of section 170 (re-  
 7       lating to certain contributions of ordinary income and cap-  
 8       ital gain property) is amended by adding at the end the  
 9       following new paragraph:

10           “(7) APPLICATION OF PARAGRAPH (3) TO CER-  
 11       TAIN CONTRIBUTIONS OF FOOD INVENTORY.—For  
 12       purposes of this section—

13           “(A) EXTENSION TO INDIVIDUALS.—In the  
 14       case of a charitable contribution of apparently  
 15       wholesome food—

16           “(i) paragraph (3)(A) shall be applied  
 17       without regard to whether the contribution  
 18       is made by a C corporation, and

19           “(ii) in the case of a taxpayer other  
 20       than a C corporation, the aggregate  
 21       amount of such contributions for any tax-  
 22       able year which may be taken into account  
 23       under this section shall not exceed 10 per-  
 24       cent of the taxpayer’s net income for such  
 25       taxable year from all trades or businesses

1 from which such contributions were made  
2 for such taxable year, computed without  
3 regard to this section.

4 “(B) LIMITATION ON REDUCTION.—In the  
5 case of a charitable contribution of apparently  
6 wholesome food, notwithstanding paragraph  
7 (3)(B), the amount of the reduction determined  
8 under paragraph (1)(A) shall not exceed the  
9 amount by which the fair market value of such  
10 property exceeds twice the basis of such prop-  
11 erty.

12 “(C) DETERMINATION OF BASIS.—If a  
13 taxpayer—

14 “(i) does not account for inventories  
15 under section 471, and

16 “(ii) is not required to capitalize indi-  
17 rect costs under section 263A,

18 the taxpayer may elect, solely for purposes of  
19 paragraph (3)(B), to treat the basis of any ap-  
20 parently wholesome food as being equal to 25  
21 percent of the fair market value of such food.

22 “(D) DETERMINATION OF FAIR MARKET  
23 VALUE.—In the case of a charitable contribu-  
24 tion of apparently wholesome food which is a  
25 qualified contribution (within the meaning of

1 paragraph (3), as modified by subparagraph  
2 (A) of this paragraph) and which, solely by rea-  
3 son of internal standards of the taxpayer or  
4 lack of market, cannot or will not be sold, the  
5 fair market value of such contribution shall be  
6 determined—

7 “(i) without regard to such internal  
8 standards or such lack of market and

9 “(ii) by taking into account the price  
10 at which the same or substantially the  
11 same food items (as to both type and qual-  
12 ity) are sold by the taxpayer at the time of  
13 the contribution (or, if not so sold at such  
14 time, in the recent past).

15 “(E) APPARENTLY WHOLESOME FOOD.—

16 For purposes of this paragraph, the term ‘ap-  
17 parently wholesome food’ has the meaning given  
18 such term by section 22(b)(2) of the Bill Emer-  
19 son Good Samaritan Food Donation Act (42  
20 U.S.C. 1791(b)(2)), as in effect on the date of  
21 the enactment of this paragraph.

22 “(F) APPLICATION.—This paragraph shall  
23 apply to contributions made after August 28,  
24 2005, and before January 1, 2006.”.

1 (b) EFFECTIVE DATE.—The amendment made by  
 2 this section shall apply to contributions made after August  
 3 28, 2005.

4 **SEC. 304. CHARITABLE DEDUCTION FOR CONTRIBUTIONS**  
 5 **OF BOOK INVENTORIES.**

6 (a) IN GENERAL.—Section 170(e)(3) (relating to cer-  
 7 tain contributions of ordinary income and capital gain  
 8 property) is amended by redesignating subparagraph (C)  
 9 as subparagraph (D) and by inserting after subparagraph  
 10 (B) the following new subparagraph:

11 “(C) SPECIAL RULE FOR CONTRIBUTIONS  
 12 OF BOOK INVENTORY FOR EDUCATIONAL PUR-  
 13 POSES.—

14 “(i) CONTRIBUTIONS OF BOOK INVEN-  
 15 TORY.—In determining whether a qualified  
 16 book contribution is a qualified contribu-  
 17 tion, subparagraph (A) shall be applied  
 18 without regard to whether—

19 “(I) the donee is an organization  
 20 described in the matter preceding  
 21 clause (i) of subparagraph (A), and

22 “(II) the property is to be used  
 23 by the donee solely for the care of the  
 24 ill, the needy, or infants.

1           “(ii) AMOUNT OF REDUCTION.—Not-  
 2           withstanding subparagraph (B), the  
 3           amount of the reduction determined under  
 4           paragraph (1)(A) shall not exceed the  
 5           amount by which the fair market value of  
 6           the contributed property (as determined by  
 7           the taxpayer using a bona fide published  
 8           market price for such book) exceeds twice  
 9           the basis of such property.

10           “(iii) QUALIFIED BOOK CONTRIBU-  
 11           TION.—For purposes of this paragraph,  
 12           the term ‘qualified book contribution’  
 13           means a charitable contribution of books,  
 14           but only if the requirements of clauses (iv)  
 15           and (v) are met.

16           “(iv) IDENTITY OF DONEE.—The re-  
 17           quirement of this clause is met if the con-  
 18           tribution is to an organization—

19                   “(I) described in subclause (I) or  
 20                   (III) of paragraph (6)(B)(i), or

21                   “(II) described in section  
 22                   501(c)(3) and exempt from tax under  
 23                   section 501(a) (other than a private  
 24                   foundation, as defined in section  
 25                   509(a), which is not an operating

1 foundation, as defined in section  
 2 4942(j)(3)), which is organized pri-  
 3 marily to make books available to the  
 4 general public at no cost or to operate  
 5 a literacy program.

6 “(v) CERTIFICATION BY DONEE.—The  
 7 requirement of this clause is met if, in ad-  
 8 dition to the certifications required by sub-  
 9 paragraph (A) (as modified by this sub-  
 10 paragraph), the donee certifies in writing  
 11 that—

12 “(I) the books are suitable, in  
 13 terms of currency, content, and quan-  
 14 tity, for use in the donee’s educational  
 15 programs, and

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

18 “(vi) BONA FIDE PUBLISHED MARKET  
 19 PRICE.—For purposes of this subpara-  
 20 graph, the term ‘bona fide published mar-  
 21 ket price’ means, with respect to any book,  
 22 a price—

23 “(I) determined using the same  
 24 printing and edition,

1 “(II) determined in the usual  
 2 market in which such a book has been  
 3 customarily sold by the taxpayer, and

4 “(III) for which the taxpayer can  
 5 demonstrate to the satisfaction of the  
 6 Secretary that the taxpayer custom-  
 7 arily sold such books in arm’s length  
 8 transactions within 7 years preceding  
 9 the contribution of such a book.

10 “(vii) APPLICATION.—This subpara-  
 11 graph shall apply to contributions made  
 12 after August 28, 2005, and before January  
 13 1, 2006.”.

14 (b) EFFECTIVE DATE.—The amendments made by  
 15 this section shall apply to contributions made after August  
 16 28, 2005.

17 **SEC. 305. ADDITIONAL PERSONAL EXEMPTION AMOUNT**  
 18 **FOR HURRICANE KATRINA HOUSEGUEST.**

19 (a) IN GENERAL.—In the case of the a taxpayer’s  
 20 taxable year beginning in 2005, the amount allowed as a  
 21 deduction in computing taxable income of the taxpayer  
 22 under section 151 of the Internal Revenue Code of 1986  
 23 shall be increased by the lesser of—

24 (1) the product of—

25 (A) \$500, and

1 (B) the number of Hurricane Katrina  
2 houseguests of the taxpayer, or

3 (2) \$2,000.

4 (b) HURRICANE KATRINA HOUSEGUEST.—For pur-  
5 poses of this section, the term “Hurricane Katrina house-  
6 guest” means any individual—

7 (1) who would not otherwise qualify for an ex-  
8 emption amount with respect to the taxpayer for the  
9 taxable year,

10 (2) whose principal place of abode in a Hurri-  
11 cane Katrina disaster area was rendered uninhabit-  
12 able after August 28, 2005, and

13 (3) is provided shelter without remuneration for  
14 not less than 60 days after August 28, 2005, and  
15 before January 1, 2006, by the taxpayer in the tax-  
16 payer’s principal place of abode.

17 **SEC. 306. INCREASE IN STANDARD MILEAGE RATE FOR**  
18 **CHARITABLE USE OF PASSENGER AUTO-**  
19 **MOBILE.**

20 Notwithstanding section 170(i) of the Internal Rev-  
21 enue Code of 1986, for purposes of computing the deduc-  
22 tion under section 170 of such Code for use of a passenger  
23 automobile for the period beginning on August 29, 2005,  
24 and ending before January 1, 2006, the standard mileage  
25 rate shall be 50 percent of the standard mileage rate in



1 effect under section 162(a) of such Code at the time of  
 2 such use. Any increase under this section shall be rounded  
 3 to the next highest cent.

## 4 **TITLE IV—ADDITIONAL TAX** 5 **RELIEF PROVISIONS**

### 6 **SEC. 401. EXCLUSIONS OF CERTAIN CANCELLATIONS OF IN-** 7 **DEBTEDNESS FOR VICTIMS OF HURRICANE** 8 **KATRINA.**

9 (a) IN GENERAL.—For purposes of the Internal Rev-  
 10 enue Code of 1986 gross income shall not include any  
 11 amount which (but for this section) would be includible  
 12 in gross income by reason of the discharge (in whole or  
 13 in part) of indebtedness of a taxpayer by a person regu-  
 14 larly engaged in the trade or business of commercial lend-  
 15 ing if the discharge is by reason of the damage sustained  
 16 by the taxpayer in connection with Hurricane Katrina.

17 (b) EFFECTIVE DATE.—This section shall apply to  
 18 discharges made on or after August 29, 2005, and before  
 19 January 1, 2007.

### 20 **SEC. 402. MODIFICATION TO CASUALTY LOSS RULES FOR** 21 **VICTIMS OF HURRICANE KATRINA.**

22 In the case of an individual with a personal casualty  
 23 loss which arises in connection with Hurricane Katrina—

24 (1) section 165(h)(2)(A) of the Internal Rev-  
 25 enue Code of 1986 shall not apply, and

1           (2) in applying such section to other personal  
2           casualty losses during the taxable year, losses to  
3           which this section applies shall be disregarded.

4   **SEC. 403. REQUIRED EXERCISE OF AUTHORITY UNDER SEC-**  
5                   **TION 7508A FOR TAX RELIEF FOR VICTIMS OF**  
6                   **HURRICANE KATRINA.**

7           (a) AUTHORITY INCLUDES SUSPENSION OF PAY-  
8   MENT OF EMPLOYMENT AND EXCISE TAXES.—Subpara-  
9   graphs (A) and (B) of section 7508(a)(1) are amended  
10 to read as follows:

11                   “(A) Filing any return of income, estate,  
12                   gift, employment, or excise tax;

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

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

1 relating to, and the payment of, employment and excise  
2 taxes.

3 (c) EFFECTIVE DATE.—The amendment made by  
4 subsection (a) shall apply for any period for performing  
5 an act which has not expired before August 29, 2005.

6 **SEC. 404. SPECIAL MORTGAGE FINANCING RULES FOR**  
7 **RESIDENCES LOCATED IN HURRICANE**  
8 **KATRINA DISASTER AREA.**

9 In the case of a residence located in a Hurricane  
10 Katrina disaster area, section 143 of the Internal Revenue  
11 Code of 1986 shall be applied with the following modifica-  
12 tions to financing provided with respect to such residence  
13 within 3 years after the date of the disaster declaration:

14 (1) Subsections (d), (e) and (f) of such section  
15 143 shall be applied as if such residence were a tar-  
16 geted area residence.

17 (2) Subsection (f)(3) of such section 143 shall  
18 be applied without regard to subparagraph (A)  
19 thereof.

20 (3) The limitation under subsection (k)(4) of  
21 such section 143 shall be increased (but not above  
22 \$150,000) to the extent the qualified home-improve-  
23 ment loan is for the repair of damage caused by  
24 Hurricane Katrina.

1 This section shall apply only with respect to bonds issued  
 2 after August 28, 2005, and before August 29, 2008.

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

7 Notwithstanding subsections (g) and (h) of section  
 8 1033 of the Internal Revenue Code of 1986, clause (i) of  
 9 section 1033(a)(2)(B) of such Code shall be applied by  
 10 substituting “5 years” for “2 years” with respect to prop-  
 11 erty which is compulsorily or involuntarily converted as  
 12 a result of Hurricane Katrina in a Hurricane Katrina dis-  
 13 aster area, but only if substantially all of the use of the  
 14 replacement property is in such area.

15 **TITLE V—ADDITIONAL**  
 16 **PROVISIONS**

17 **SEC. 501. DISCLOSURE TO STATE OFFICIALS OF PROPOSED**  
 18 **ACTIONS RELATED TO EXEMPT ORGANIZA-**  
 19 **TIONS.**

20 (a) IN GENERAL.—Subsection (c) of section 6104 is  
 21 amended by striking paragraph (2) and inserting the fol-  
 22 lowing new paragraphs:

23 “(2) DISCLOSURE OF PROPOSED ACTIONS RE-  
 24 LATED TO CHARITABLE ORGANIZATIONS.—

1           “(A) SPECIFIC NOTIFICATIONS.—In the  
2 case of an organization to which paragraph (1)  
3 applies, the Secretary may disclose to the ap-  
4 propriate State officer—

5           “(i) a notice of proposed refusal to  
6 recognize such organization as an organi-  
7 zation described in section 501(c)(3) or a  
8 notice of proposed revocation of such orga-  
9 nization’s recognition as an organization  
10 exempt from taxation,

11           “(ii) the issuance of a letter of pro-  
12 posed deficiency of tax imposed under sec-  
13 tion 507 or chapter 41 or 42, and

14           “(iii) the names, addresses, and tax-  
15 payer identification numbers of organiza-  
16 tions which have applied for recognition as  
17 organizations described in section  
18 501(c)(3).

19           “(B) ADDITIONAL DISCLOSURES.—Returns  
20 and return information of organizations with  
21 respect to which information is disclosed under  
22 subparagraph (A) may be made available for in-  
23 spection by or disclosed to an appropriate State  
24 officer.

1           “(C) PROCEDURES FOR DISCLOSURE.—In-  
 2           formation may be inspected or disclosed under  
 3           subparagraph (A) or (B) only—

4                   “(i) upon written request by an ap-  
 5                   propriate State officer, and

6                   “(ii) for the purpose of, and only to  
 7                   the extent necessary in, the administration  
 8                   of State laws regulating such organiza-  
 9                   tions.

10           Such information may only be inspected by or  
 11           disclosed to representatives of the appropriate  
 12           State officer designated as the individuals who  
 13           are to inspect or to receive the returns or re-  
 14           turn information under this paragraph on be-  
 15           half of such officer. Such representatives shall  
 16           not include any contractor or agent.

17           “(D) DISCLOSURES OTHER THAN BY RE-  
 18           QUEST.—The Secretary may make available for  
 19           inspection or disclose returns and return infor-  
 20           mation of an organization to which paragraph  
 21           (1) applies to an appropriate State officer of  
 22           any State if the Secretary determines that such  
 23           inspection or disclosure may facilitate the reso-  
 24           lution of Federal or State issues relating to the  
 25           tax-exempt status of such organization.

1           “(3) DISCLOSURE WITH RESPECT TO CERTAIN  
2       OTHER EXEMPT ORGANIZATIONS.—Upon written re-  
3       quest by an appropriate State officer, the Secretary  
4       may make available for inspection or disclosure re-  
5       turns and return information of an organization de-  
6       scribed in paragraph (2), (4), (6), (7), (8), (10), or  
7       (13) of section 501(c) for the purpose of, and to the  
8       extent necessary in, the administration of State laws  
9       regulating the solicitation or administration of the  
10      charitable funds or charitable assets of such organi-  
11      zations. Such information may be inspected only by  
12      or disclosed only to representatives of the appro-  
13      priate State officer designated as the individuals who  
14      are to inspect or to receive the returns or return in-  
15      formation under this paragraph on behalf of such of-  
16      ficer. Such representatives shall not include any con-  
17      tractor or agent.

18           “(4) USE IN CIVIL JUDICIAL AND ADMINISTRA-  
19      TIVE PROCEEDINGS.—Returns and return informa-  
20      tion disclosed pursuant to this subsection may be  
21      disclosed in civil administrative and civil judicial pro-  
22      ceedings pertaining to the enforcement of State laws  
23      regulating such organizations in a manner pre-  
24      scribed by the Secretary similar to that for tax ad-  
25      ministration proceedings under section 6103(h)(4).

1           “(5) NO DISCLOSURE IF IMPAIRMENT.—Re-  
 2           turns and return information shall not be disclosed  
 3           under this subsection, or in any proceeding described  
 4           in paragraph (4), to the extent that the Secretary  
 5           determines that such disclosure would seriously im-  
 6           pair Federal tax administration.

7           “(6) DEFINITIONS.—For purposes of this sub-  
 8           section—

9                   “(A) RETURN AND RETURN INFORMA-  
 10           TION.—The terms ‘return’ and ‘return informa-  
 11           tion’ have the respective meanings given to such  
 12           terms by section 6103(b).

13                   “(B) APPROPRIATE STATE OFFICER.—The  
 14           term ‘appropriate State officer’ means—

15                           “(i) the State attorney general,

16                           “(ii) in the case of an organization to  
 17           which paragraph (1) applies, any other  
 18           State official charged with overseeing orga-  
 19           nizations of the type described in section  
 20           501(c)(3), and

21                           “(iii) in the case of an organization to  
 22           which paragraph (3) applies, the head of  
 23           an agency designated by the State attorney  
 24           general as having primary responsibility



1                   for overseeing the solicitation of funds for  
2                   charitable purposes.”.

3       (b) CONFORMING AMENDMENTS.—

4           (1) Subsection (a) of section 6103 is amend-  
5       ed—

6                   (A) by inserting “or any appropriate State  
7                   officer who has or had access to returns or re-  
8                   turn information under section 6104(c)” after  
9                   “this section” in paragraph (2), and

10                   (B) by striking “or subsection (n)” in  
11                   paragraph (3) and inserting “subsection (n), or  
12                   section 6104(c)”.

13           (2) Subparagraph (A) of section 6103(p)(3) is  
14       amended by inserting “and section 6104(c)” after  
15       “section” in the first sentence.

16           (3) The heading for paragraph (1) of section  
17       6104(c) is amended by inserting “FOR CHARITABLE  
18       ORGANIZATIONS” after “RULE”.

19           (4) Paragraph (2) of section 7213(a) is amend-  
20       ed by inserting “or under section 6104(c)” after  
21       “6103”.

22           (5) Paragraph (2) of section 7213A(a) is  
23       amended by inserting “or 6104(c)” after “6103”.

1           (6) Paragraph (2) of section 7431(a) is amend-  
 2           ed by inserting “(including any disclosure in viola-  
 3           tion of section 6104(c))” after “6103”.

4           (c) EFFECTIVE DATE.—The amendments made by  
 5           this section shall take effect on the date of the enactment  
 6           of this Act but shall not apply to requests made before  
 7           such date.

8           **SEC. 502. DEDICATION AND USE OF CERTAIN FEES.**

9           Notwithstanding section 202(c) of Public Law 108–  
 10          89, the Secretary of the Treasury may retain and use fees  
 11          from employee plan and exempt organization letter rulings  
 12          and determination letters charged under section 7528 of  
 13          the Internal Revenue Code of 1986—

14                 (1) in fiscal years 2005 and 2006—

15                         (A) for the administration of the provisions  
 16                         of, and amendments made by, this Act,

17                         (B) to provide taxpayer assistance to vic-  
 18                         tims of Hurricane Katrina, and

19                         (C) to aid the Internal Revenue Service in  
 20                         repairing, rebuilding, and recovering from the  
 21                         damage to Internal Revenue Service offices,  
 22                         equipment, and support caused by Hurricane  
 23                         Katrina, and

24                 (2) in any fiscal year after 2006—

1                   (A) on oversight, enforcement, and admin-  
2                   istration by the Tax-Exempt and Government  
3                   Entities Division of the Internal Revenue Serv-  
4                   ice, and

5                   (B) on oversight, enforcement, and admin-  
6                   istration of section 170 of such Code.

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