

***In the Senate of the United States,***

*December 19, 2007.*

*Resolved,* That the Senate agree to the amendment of the House of Representatives to the amendment of the Senate to the bill (H.R. 3997) entitled “An Act to amend the Internal Revenue Code of 1986 to provide earnings assistance and tax relief to members of the uniformed services, volunteer firefighters, and Peace Corps volunteers, and for other purposes.”, with the following

**SENATE AMENDMENT TO HOUSE AMENDMENT TO  
SENATE AMENDMENT:**

In lieu of the matter proposed to be inserted by the amendment of the House to 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 “De-*  
3 *fenders of Freedom Tax Relief Act of 2007”.*

4       (b) *REFERENCE.*—*Except as otherwise expressly pro-*  
5 *vided, whenever in this Act an amendment or repeal is ex-*  
6 *pressed in terms of an amendment to, or repeal of, a section*

1 or other provision, the reference shall be considered to be  
 2 made to a section or other provision of the Internal Revenue  
 3 Code of 1986.

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

*Sec. 1. Short title, etc.*

#### *TITLE I—BENEFITS FOR MILITARY*

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

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

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

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

*Sec. 105. Special period of limitation when uniformed services retired pay is reduced as a result of award of disability compensation.*

*Sec. 106. Distributions from retirement plans to individuals called to active duty.*

*Sec. 107. Disclosure of return information relating to veterans programs made permanent.*

*Sec. 108. Contributions of military death gratuities to Roth IRAs and Education Savings Accounts.*

*Sec. 109. Suspension of 5-year period during service with the Peace Corps.*

*Sec. 110. Credit for employer differential wage payments to employees who are active duty members of the uniformed services.*

*Sec. 111. State payments to service members treated as qualified military benefits.*

*Sec. 112. Permanent exclusion of gain from sale of a principal residence by certain employees of the intelligence community.*

*Sec. 113. Special disposition rules for unused benefits in health flexible spending arrangements of individuals called to active duty.*

*Sec. 114. Option to exclude military basic housing allowance for purposes of determining income eligibility under low-income housing credit and bond-financed residential rental projects.*

#### *TITLE II—REVENUE PROVISIONS*

*Sec. 201. Increase in penalty for failure to file partnership returns.*

*Sec. 202. Increase in penalty for failure to file S corporation returns.*

*Sec. 203. Increase in minimum penalty on failure to file a return of tax.*

*Sec. 204. Revision of tax rules on expatriation.*

*Sec. 205. Special enrollment option by employer health plans for members of uniform services who lose health care coverage.*

#### *TITLE III—TAX TECHNICAL CORRECTIONS*

*Sec. 301. Short title.*

*Sec. 302. Amendment related to the Tax Relief and Health Care Act of 2006.*

*Sec. 303. Amendments related to title XII of the Pension Protection Act of 2006.*

*Sec. 304. Amendments related to the Tax Increase Prevention and Reconciliation Act of 2005.*

*Sec. 305. Amendments related to the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users.*

*Sec. 306. Amendments related to the Energy Policy Act of 2005.*

*Sec. 307. Amendments related to the American Jobs Creation Act of 2004.*

*Sec. 308. Amendments related to the Economic Growth and Tax Relief Reconciliation Act of 2001.*

*Sec. 309. Amendments related to the Tax Relief Extension Act of 1999.*

*Sec. 310. Amendment related to the Internal Revenue Service Restructuring and Reform Act of 1998.*

*Sec. 311. Clerical corrections.*

**TITLE IV—PARITY IN APPLICATION OF CERTAIN LIMITS TO  
MENTAL HEALTH BENEFITS**

*Sec. 401. Parity in application of certain limits to mental health benefits.*

1                   **TITLE I—BENEFITS FOR**  
2                   **MILITARY**  
3 **SEC. 101. ELECTION TO INCLUDE COMBAT PAY AS EARNED**  
4                   **INCOME FOR PURPOSES OF EARNED INCOME**  
5                   **TAX CREDIT.**

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

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

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

15           (c) *EFFECTIVE DATE.*—*The amendment made by this*  
16 *section shall apply to taxable years ending after December*  
17 *31, 2007.*

1 **SEC. 102. MODIFICATION OF MORTGAGE REVENUE BONDS**  
2 **FOR VETERANS.**

3 (a) *QUALIFIED MORTGAGE BONDS USED TO FINANCE*  
4 *RESIDENCES FOR VETERANS WITHOUT REGARD TO FIRST-*  
5 *TIME HOMEBUYER REQUIREMENT.*—Subparagraph (D) of  
6 section 143(d)(2) (relating to exceptions) is amended by  
7 striking “and before January 1, 2008”.

8 (b) *INCREASE IN BOND LIMITATION FOR ALASKA, OR-*  
9 *EGON, AND WISCONSIN.*—Clause (ii) of section 143(l)(3)(B)  
10 (relating to State veterans limit) is amended by striking  
11 “\$25,000,000” each place it appears and inserting  
12 “\$100,000,000”.

13 (c) *DEFINITION OF QUALIFIED VETERAN.*—Paragraph  
14 (4) of section 143(l) (defining qualified veteran) is amended  
15 to read as follows:

16 “(4) *QUALIFIED VETERAN.*—For purposes of this  
17 subsection, the term ‘qualified veteran’ means any  
18 veteran who—

19 “(A) served on active duty, and

20 “(B) applied for the financing before the  
21 date 25 years after the last date on which such  
22 veteran left active service.”.

23 (d) *EFFECTIVE DATE.*—The amendments made by this  
24 section shall apply to bonds issued after December 31, 2007.

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

3 (a) *PLAN QUALIFICATION REQUIREMENT FOR DEATH*  
4 *BENEFITS UNDER USERRA-QUALIFIED ACTIVE MILITARY*  
5 *SERVICE.*—Subsection (a) of section 401 (relating to re-  
6 quirements for qualification) is amended by inserting after  
7 paragraph (36) the following new paragraph:

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

19 (b) *TREATMENT IN THE CASE OF DEATH OR DIS-*  
20 *ABILITY RESULTING FROM ACTIVE MILITARY SERVICE FOR*  
21 *BENEFIT ACCRUAL PURPOSES.*—Subsection (u) of section  
22 414 (relating to special rules relating to veterans’ reemploy-  
23 ment rights under USERRA) is amended by redesignating  
24 paragraphs (9) and (10) as paragraphs (10) and (11), re-  
25 spectively, and by inserting after paragraph (8) the fol-  
26 lowing new paragraph:

1           “(9) *TREATMENT IN THE CASE OF DEATH OR*  
2           *DISABILITY RESULTING FROM ACTIVE MILITARY SERV-*  
3           *ICE.—*

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

24           “(B) *NONDISCRIMINATION REQUIREMENT.—*  
25           *Subparagraph (A) shall apply only if all indi-*

1            *viduals performing qualified military service*  
2            *with respect to the employer maintaining the*  
3            *plan (as determined under subsections (b), (c),*  
4            *(m), and (o)) who die or became disabled as a*  
5            *result of performing qualified military service*  
6            *prior to reemployment by the employer are cred-*  
7            *ited with service and benefits on reasonably*  
8            *equivalent terms.*

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

17                    *“(i) the 12-month period of service*  
18                    *with the employer immediately prior to*  
19                    *qualified military service, or*

20                    *“(ii) if service with the employer is less*  
21                    *than such 12-month period, the actual*  
22                    *length of continuous service with the em-*  
23                    *ployer.”.*

24            *(c) CONFORMING AMENDMENTS.—*

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

3           (2) *Section 403(b) is amended by adding at the*  
4           *end the following new paragraph:*

5           *“(14) DEATH BENEFITS UNDER USERRA-QUALI-*  
6           *FIED ACTIVE MILITARY SERVICE.—This subsection*  
7           *shall not apply to an annuity contract unless such*  
8           *contract meets the requirements of section*  
9           *401(a)(37).”.*

10          (3) *Section 457(g) is amended by adding at the*  
11          *end the following new paragraph:*

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

17          (d) *EFFECTIVE DATE.—*

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

21           (2) *PROVISIONS RELATING TO PLAN AMEND-*  
22           *MENTS.—*

23           (A) *IN GENERAL.—If this subparagraph ap-*  
24           *plies to any plan or contract amendment, such*  
25           *plan or contract shall be treated as being oper-*



1           *ated in accordance with the terms of the plan*  
2           *during the period described in subparagraph*  
3           *(B)(iii).*

4           *(B) AMENDMENTS TO WHICH SUBPARA-*  
5           *GRAPH (A) APPLIES.—*

6           *(i) IN GENERAL.—Subparagraph (A)*  
7           *shall apply to any amendment to any plan*  
8           *or annuity contract which is made—*

9                   *(I) pursuant to the amendments*  
10                   *made by subsection (a) or pursuant to*  
11                   *any regulation issued by the Secretary*  
12                   *of the Treasury under subsection (a),*  
13                   *and*

14                   *(II) on or before the last day of*  
15                   *the first plan year beginning on or*  
16                   *after January 1, 2009.*

17           *In the case of a governmental plan (as de-*  
18           *defined in section 414(d) of the Internal Rev-*  
19           *enue Code of 1986), this clause shall be ap-*  
20           *plied by substituting “2011” for “2009” in*  
21           *subclause (II).*

22           *(ii) CONDITIONS.—This paragraph*  
23           *shall not apply to any amendment unless—*

24                   *(I) the plan or contract is oper-*  
25                   *ated as if such plan or contract*

1                    *amendment were in effect for the pe-*  
 2                    *riod described in clause (iii), and*

3                    *(II) such plan or contract amend-*  
 4                    *ment applies retroactively for such pe-*  
 5                    *riod.*

6                    *(iii) PERIOD DESCRIBED.—The period*  
 7                    *described in this clause is the period—*

8                    *(I) beginning on the effective date*  
 9                    *specified by the plan, and*

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

14 **SEC. 104. TREATMENT OF DIFFERENTIAL MILITARY PAY AS**  
 15 **WAGES.**

16                    *(a) INCOME TAX WITHHOLDING ON DIFFERENTIAL*  
 17 *WAGE PAYMENTS.—*

18                    *(1) IN GENERAL.—Section 3401 (relating to defi-*  
 19                    *nitions) is amended by adding at the end the fol-*  
 20                    *lowing new subsection:*

21                    *“(h) DIFFERENTIAL WAGE PAYMENTS TO ACTIVE*  
 22 *DUTY MEMBERS OF THE UNIFORMED SERVICES.—*

23                    *“(1) IN GENERAL.—For purposes of subsection*  
 24                    *(a), any differential wage payment shall be treated as*  
 25                    *a payment of wages by the employer to the employee.*

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

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

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

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

17           (b) *TREATMENT OF DIFFERENTIAL WAGE PAYMENTS*  
18 *FOR RETIREMENT PLAN PURPOSES.*—

19                   (1) *PENSION PLANS.*—

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

1           “(12) *TREATMENT OF DIFFERENTIAL WAGE PAY-*  
2           *MENTS.—*

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

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

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

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

18          “(B) *SPECIAL RULE FOR DISTRIBUTIONS.—*

19          “(i) *IN GENERAL.—Notwithstanding*  
20          *subparagraph (A)(i), for purposes of section*  
21          *401(k)(2)(B)(i)(I),           403(b)(7)(A)(ii),*  
22          *403(b)(11)(A), or 457(d)(1)(A)(ii), an indi-*  
23          *vidual shall be treated as having been sev-*  
24          *ered from employment during any period*  
25          *the individual is performing service in the*

1           *uniformed services described in section*  
2           *3401(h)(2)(A).*

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

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

24          “(D) *DIFFERENTIAL WAGE PAYMENT.*—*For*  
25          *purposes of this paragraph, the term ‘differential*

1           *wage payment*’ has the meaning given such term  
2           by section 3401(h)(2).”.

3           (B) *CONFORMING AMENDMENT.*—*The head-*  
4           *ing for section 414(u) is amended by inserting*  
5           “AND TO DIFFERENTIAL WAGE PAYMENTS TO  
6           MEMBERS ON ACTIVE DUTY” after “USERRA”.

7           (2) *DIFFERENTIAL WAGE PAYMENTS TREATED AS*  
8           *COMPENSATION FOR INDIVIDUAL RETIREMENT*  
9           *PLANS.*—*Section 219(f)(1) (defining compensation) is*  
10          *amended by adding at the end the following new sen-*  
11          *tence: “The term compensation includes any differen-*  
12          *tial wage payment (as defined in section*  
13          *3401(h)(2)).”.*

14          (3) *EFFECTIVE DATE.*—*The amendments made*  
15          *by this subsection shall apply to years beginning after*  
16          *December 31, 2007.*

17          (c) *PROVISIONS RELATING TO PLAN AMENDMENTS.*—

18                 (1) *IN GENERAL.*—*If this subsection applies to*  
19                 *any plan or annuity contract amendment, such plan*  
20                 *or contract shall be treated as being operated in ac-*  
21                 *cordance with the terms of the plan or contract dur-*  
22                 *ing the period described in paragraph (2)(B)(i).*

23                 (2) *AMENDMENTS TO WHICH SECTION AP-*  
24                 *PLIES.*—

1           (A) *IN GENERAL.*—*This subsection shall*  
2           *apply to any amendment to any plan or annu-*  
3           *ity contract which is made—*

4                     (i) *pursuant to any amendment made*  
5                     *by subsection (b)(1), and*

6                     (ii) *on or before the last day of the first*  
7                     *plan year beginning on or after January 1,*  
8                     *2009.*

9           *In the case of a governmental plan (as defined*  
10           *in section 414(d) of the Internal Revenue Code*  
11           *of 1986), this subparagraph shall be applied by*  
12           *substituting “2011” for “2009” in clause (ii).*

13           (B) *CONDITIONS.*—*This subsection shall not*  
14           *apply to any plan or annuity contract amend-*  
15           *ment unless—*

16                     (i) *during the period beginning on the*  
17                     *date the amendment described in subpara-*  
18                     *graph (A)(i) takes effect and ending on the*  
19                     *date described in subparagraph (A)(ii) (or,*  
20                     *if earlier, the date the plan or contract*  
21                     *amendment is adopted), the plan or con-*  
22                     *tract is operated as if such plan or contract*  
23                     *amendment were in effect, and*

24                     (ii) *such plan or contract amendment*  
25                     *applies retroactively for such period.*

1 **SEC. 105. SPECIAL PERIOD OF LIMITATION WHEN UNI-**  
 2 **FORMED SERVICES RETIRED PAY IS RE-**  
 3 **DUCED AS A RESULT OF AWARD OF DIS-**  
 4 **ABILITY COMPENSATION.**

5 (a) *IN GENERAL.*—Subsection (d) of section 6511 (re-  
 6 lating to special rules applicable to income taxes) is amend-  
 7 ed by adding at the end the following new paragraph:

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

11 “(A) *PERIOD OF LIMITATION ON FILING*  
 12 *CLAIM.*—If the claim for credit or refund relates  
 13 to an overpayment of tax imposed by subtitle A  
 14 on account of—

15 “(i) *the reduction of uniformed services*  
 16 *retired pay computed under section 1406 or*  
 17 *1407 of title 10, United States Code, or*

18 “(ii) *the waiver of such pay under sec-*  
 19 *tion 5305 of title 38 of such Code,*  
 20 *as a result of an award of compensation under*  
 21 *title 38 of such Code pursuant to a determina-*  
 22 *tion by the Secretary of Veterans Affairs, the 3-*  
 23 *year period of limitation prescribed in subsection*  
 24 *(a) shall be extended, for purposes of permitting*  
 25 *a credit or refund based upon the amount of such*  
 26 *reduction or waiver, until the end of the 1-year*



1           *period beginning on the date of such determina-*  
 2           *tion.*

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

7           (b) *EFFECTIVE DATE.*—*The amendment made by sub-*  
 8           *section (a) shall apply to claims for credit or refund filed*  
 9           *after the date of the enactment of this Act.*

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

16                 (1) *shall not apply with respect to any taxable*  
 17                 *year which began before January 1, 2001, and*

18                 (2) *shall be applied by substituting “the date of*  
 19                 *the enactment of the Defenders of Freedom Tax Relief*  
 20                 *Act of 2007” for “the date of such determination” in*  
 21                 *subparagraph (A) thereof.*

22         **SEC. 106. DISTRIBUTIONS FROM RETIREMENT PLANS TO IN-**  
 23                 **DIVIDUALS CALLED TO ACTIVE DUTY.**

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

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

4 **SEC. 107. DISCLOSURE OF RETURN INFORMATION RELAT-**  
 5 **ING TO VETERANS PROGRAMS MADE PERMA-**  
 6 **NENT.**

7       (a) *IN GENERAL.*—*Subparagraph (D) of section*  
 8 *6103(l)(7) (relating to disclosure of return information to*  
 9 *Federal, State, and local agencies administering certain*  
 10 *programs under the Social Security Act, the Food Stamp*  
 11 *Act of 1977, or title 38, United States Code or certain hous-*  
 12 *ing assistance programs) is amended by striking the last*  
 13 *sentence.*

14       (b)           **TECHNICAL           AMENDMENT.**—*Section*  
 15 *6103(l)(7)(D)(viii)(III) is amended by striking “sections*  
 16 *1710(a)(1)(I), 1710(a)(2), 1710(b), and 1712(a)(2)(B)” and*  
 17 *inserting “sections 1710(a)(2)(G), 1710(a)(3), and*  
 18 *1710(b)”.*

19 **SEC. 108. CONTRIBUTIONS OF MILITARY DEATH GRATU-**  
 20 **ITIES TO ROTH IRAS AND EDUCATION SAV-**  
 21 **INGS ACCOUNTS.**

22       (a) *PROVISION IN EFFECT BEFORE PENSION PROTEC-*  
 23 *TION ACT.*—*Subsection (e) of section 408A (relating to*  
 24 *qualified rollover contribution), as in effect before the*

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

3       “(e) *QUALIFIED ROLLOVER CONTRIBUTION.*—*For pur-*  
4 *poses of this section—*

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

15               “(2) *MILITARY DEATH GRATUITY.*—

16               “(A) *IN GENERAL.*—*The term ‘qualified*  
17 *rollover contribution’ includes a contribution to*  
18 *a Roth IRA maintained for the benefit of an in-*  
19 *dividual made before the end of the 1-year period*  
20 *beginning on the date on which such individual*  
21 *receives an amount under section 1477 of title*  
22 *10, United States Code, or section 1967 of title*  
23 *38 of such Code, with respect to a person, to the*  
24 *extent that such contribution does not exceed—*

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

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

8           “(B) ANNUAL LIMIT ON NUMBER OF ROLL-  
9           OVERS NOT TO APPLY.—Section 408(d)(3)(B)  
10          shall not apply with respect to amounts treated  
11          as a rollover by subparagraph (A).

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

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

22          “(e) QUALIFIED ROLLOVER CONTRIBUTION.—For pur-  
23          poses of this section—

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

1           “(A) to a Roth IRA from another such ac-  
2           count,

3           “(B) from an eligible retirement plan, but  
4           only if—

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

8                   “(ii) in the case of any eligible retire-  
9                   ment plan (as defined in section  
10                   402(c)(8)(B) other than clauses (i) and (ii)  
11                   thereof), such rollover contribution meets the  
12                   requirements of section 402(c), 403(b)(8), or  
13                   457(e)(16), as applicable.

14           For purposes of section 408(d)(3)(B), there shall  
15           be disregarded any qualified rollover contribu-  
16           tion from an individual retirement plan (other  
17           than a Roth IRA) to a Roth IRA.

18           “(2) *MILITARY DEATH GRATUITY.*—

19                   “(A) *IN GENERAL.*—The term ‘qualified  
20                   rollover contribution’ includes a contribution to  
21                   a Roth IRA maintained for the benefit of an in-  
22                   dividual made before the end of the 1-year period  
23                   beginning on the date on which such individual  
24                   receives an amount under section 1477 of title  
25                   10, United States Code, or section 1967 of title

1           38 of such Code, with respect to a person, to the  
2           extent that such contribution does not exceed—

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

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

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

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

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

23                   “(9) MILITARY DEATH GRATUITY.—

24                           “(A) IN GENERAL.—For purposes of this  
25                           section, the term ‘rollover contribution’ includes

1           *a contribution to a Coverdell education savings*  
2           *account made before the end of the 1-year period*  
3           *beginning on the date on which the contributor*  
4           *receives an amount under section 1477 of title*  
5           *10, United States Code, or section 1967 of title*  
6           *38 of such Code, with respect to a person, to the*  
7           *extent that such contribution does not exceed—*

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

12                    *“(ii) the amounts so received which*  
13                    *were contributed to a Roth IRA under sec-*  
14                    *tion 408A(e)(2) or to another Coverdell edu-*  
15                    *cation savings account.*

16            *“(B) ANNUAL LIMIT ON NUMBER OF ROLL-*  
17            *OVERS NOT TO APPLY.—The last sentence of*  
18            *paragraph (5) shall not apply with respect to*  
19            *amounts treated as a rollover by the subpara-*  
20            *graph (A).*

21            *“(C) APPLICATION OF SECTION 72.—For*  
22            *purposes of applying section 72 in the case of a*  
23            *distribution which is includible in gross income*  
24            *under paragraph (1), the amount treated as a*

1            *rollover by reason of subparagraph (A) shall be*  
2            *treated as investment in the contract.”.*

3            *(d) EFFECTIVE DATES.—*

4            *(1) IN GENERAL.—Except as provided by para-*  
5            *graphs (2) and (3), the amendments made by this sec-*  
6            *tion shall apply with respect to deaths from injuries*  
7            *occurring on or after the date of the enactment of this*  
8            *Act.*

9            *(2) APPLICATION OF AMENDMENTS TO DEATHS*  
10           *FROM INJURIES OCCURRING ON OR AFTER OCTOBER 7,*  
11           *2001, AND BEFORE ENACTMENT.—The amendments*  
12           *made by this section shall apply to any contribution*  
13           *made pursuant to section 408A(e)(2) or 530(d)(5) of*  
14           *the Internal Revenue Code of 1986, as amended by*  
15           *this Act, with respect to amounts received under sec-*  
16           *tion 1477 of title 10, United States Code, or under*  
17           *section 1967 of title 38 of such Code, for deaths from*  
18           *injuries occurring on or after October 7, 2001, and*  
19           *before the date of the enactment of this Act if such*  
20           *contribution is made not later than 1 year after the*  
21           *date of the enactment of this Act.*

22           *(3) PENSION PROTECTION ACT CHANGES.—Sec-*  
23           *tion 408A(e)(1) of the Internal Revenue Code of 1986*  
24           *(as in effect after the amendments made by subsection*



1       (b)) shall apply to taxable years beginning after De-  
2       cember 31, 2007.

3       **SEC. 109. SUSPENSION OF 5-YEAR PERIOD DURING SERVICE**  
4                                   **WITH THE PEACE CORPS.**

5       (a) *IN GENERAL.*—Subsection (d) of section 121 (relat-  
6       ing to special rules) is amended by adding at the end the  
7       following new paragraph:

8                   “(12) *PEACE CORPS.*—

9                                   “(A) *IN GENERAL.*—At the election of an  
10                   individual with respect to a property, the run-  
11                   ning of the 5-year period described in subsections  
12                   (a) and (c)(1)(B) and paragraph (7) of this sub-  
13                   section with respect to such property shall be sus-  
14                   pended during any period that such individual  
15                   or such individual’s spouse is serving outside the  
16                   United States—

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

20                                   “(ii) as an enrolled volunteer or volun-  
21                                   teer leader under section 5 or 6 (as the case  
22                                   may be) of the Peace Corps Act (22 U.S.C.  
23                                   2504, 2505).

1           “(B) *APPLICABLE RULES.*—For purposes of  
2           subparagraph (A), rules similar to the rules of  
3           subparagraphs (B) and (D) shall apply.”.

4           (b) *EFFECTIVE DATE.*—The amendment made by sub-  
5           section (a) shall apply to taxable years beginning after De-  
6           cember 31, 2007.

7           **SEC. 110. CREDIT FOR EMPLOYER DIFFERENTIAL WAGE**  
8                           **PAYMENTS TO EMPLOYEES WHO ARE ACTIVE**  
9                           **DUTY MEMBERS OF THE UNIFORMED SERV-**  
10                          **ICES.**

11           (a) *IN GENERAL.*—Subpart D of part IV of subchapter  
12           A of chapter 1 (relating to business credits) is amended by  
13           adding at the end the following new section:

14           **“SEC. 450. EMPLOYER WAGE CREDIT FOR EMPLOYEES WHO**  
15                           **ARE ACTIVE DUTY MEMBERS OF THE UNI-**  
16                           **FORMED SERVICES.**

17           “(a) *GENERAL RULE.*—For purposes of section 38, in  
18           the case of an eligible small business employer, the differen-  
19           tial wage payment credit for any taxable year is an amount  
20           equal to 20 percent of the sum of the eligible differential  
21           wage payments for each of the qualified employees of the  
22           taxpayer during such taxable year.

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

24                   “(1) *ELIGIBLE DIFFERENTIAL WAGE PAY-*  
25                   *MENTS.*—The term ‘eligible differential wage pay-

1        *ments’ means, with respect to each qualified employee,*  
2        *so much of the differential wage payments (as defined*  
3        *in section 3401(h)(2)) paid to such employee for the*  
4        *taxable year as does not exceed \$20,000.*

5            “(2) *QUALIFIED EMPLOYEE.*—*The term ‘quali-*  
6        *fied employee’ means a person who has been an em-*  
7        *ployee of the taxpayer for the 91-day period imme-*  
8        *diately preceding the period for which any differen-*  
9        *tial wage payment is made.*

10           “(3) *ELIGIBLE SMALL BUSINESS EMPLOYER.*—

11           “(A) *IN GENERAL.*—*The term ‘eligible small*  
12        *business employer’ means, with respect to any*  
13        *taxable year, any employer which—*

14           “(i) *employed an average of less than*  
15        *50 employees on business days during such*  
16        *taxable year, and*

17           “(ii) *under a written plan of the em-*  
18        *ployer, provides eligible differential wage*  
19        *payments to every qualified employee of the*  
20        *employer.*

21           “(B) *CONTROLLED GROUPS.*—*For purposes*  
22        *of subparagraph (A), all persons treated as a*  
23        *single employer under subsection (b), (c), (m), or*  
24        *(o) of section 414 shall be treated as a single em-*  
25        *ployer.*

1       “(c) *COORDINATION WITH OTHER CREDITS.*—The  
2 amount of credit otherwise allowable under this chapter  
3 with respect to compensation paid to any employee shall  
4 be reduced by the credit determined under this section with  
5 respect to such employee.

6       “(d) *DISALLOWANCE FOR FAILURE TO COMPLY WITH*  
7 *EMPLOYMENT OR REEMPLOYMENT RIGHTS OF MEMBERS*  
8 *OF THE RESERVE COMPONENTS OF THE ARMED FORCES*  
9 *OF THE UNITED STATES.*—No credit shall be allowed under  
10 subsection (a) to a taxpayer for—

11               “(1) any taxable year, beginning after the date  
12 of the enactment of this section, in which the taxpayer  
13 is under a final order, judgment, or other process  
14 issued or required by a district court of the United  
15 States under section 4323 of title 38 of the United  
16 States Code with respect to a violation of chapter 43  
17 of such title, and

18               “(2) the 2 succeeding taxable years.

19       “(e) *CERTAIN RULES TO APPLY.*—For purposes of this  
20 section, rules similar to the rules of subsections (c), (d), and  
21 (e) of section 52 shall apply.

22       “(f) *TERMINATION.*—This section shall not apply to  
23 any payments made after December 31, 2009.”.

24       “(b) *CREDIT TREATED AS PART OF GENERAL BUSI-*  
25 *NESS CREDIT.*—Section 38(b) (relating to general business

1 *credit) is amended by striking “plus” at the end of para-*  
 2 *graph (30), by striking the period at the end of paragraph*  
 3 *(31) and inserting “, plus”, and by adding at the end of*  
 4 *following new paragraph:*

5           “(32) the differential wage payment credit deter-

6           mined under section 45O(a).”.

7           (c) *NO DEDUCTION FOR COMPENSATION TAKEN INTO*  
 8 *ACCOUNT FOR CREDIT.*—Section 280C(a) (relating to rule  
 9 for employment credits) is amended by inserting “45O(a),”  
 10 after “45A(a).”.

11           (d) *CLERICAL AMENDMENT.*—The table of sections for  
 12 subpart D of part IV of subchapter A of chapter 1 is amend-  
 13 ed by adding at the end the following new item:

“Sec. 45O. Employer wage credit for employees who are active duty members of  
 the uniformed services.”.

14           (e) *EFFECTIVE DATE.*—The amendments made by this  
 15 section shall apply to amounts paid after the date of the  
 16 enactment of this Act.

17 **SEC. 111. STATE PAYMENTS TO SERVICE MEMBERS TREAT-**  
 18 **ED AS QUALIFIED MILITARY BENEFITS.**

19           (a) *IN GENERAL.*—Section 134(b) (defining qualified  
 20 military benefit) is amended by adding at the end the fol-  
 21 lowing new paragraph:

22           “(6) *CERTAIN STATE PAYMENTS.*—The term  
 23 ‘qualified military benefit’ includes any bonus pay-  
 24 ment by a State or political subdivision thereof to

1     *any member or former member of the uniformed serv-*  
 2     *ices of the United States or any dependent of such*  
 3     *member only by reason of such member’s service in an*  
 4     *combat zone (as defined in section 112(c)(2), deter-*  
 5     *mined without regard to the parenthetical).”.*

6     **(b) EFFECTIVE DATE.**—*The amendment made by this*  
 7     *section shall apply to payments made before, on, or after*  
 8     *the date of the enactment of this Act.*

9     **SEC. 112. PERMANENT EXCLUSION OF GAIN FROM SALE OF**  
 10            **A PRINCIPAL RESIDENCE BY CERTAIN EM-**  
 11            **PLOYEES OF THE INTELLIGENCE COMMU-**  
 12            **NITY.**

13     **(a) PERMANENT EXCLUSION.**—

14            **(1) IN GENERAL.**—*Section 417(e) of division A*  
 15     *of the Tax Relief and Health Care Act of 2006 is*  
 16     *amended by striking “and before January 1, 2011”.*

17            **(2) EFFECTIVE DATE.**—*The amendment made by*  
 18     *this subsection shall apply to sales or exchanges after*  
 19     *December 31, 2010.*

20     **(b) DUTY STATION MAY BE INSIDE UNITED**  
 21     **STATES.**—

22            **(1) IN GENERAL.**—*Section 121(d)(9)(C) (defin-*  
 23     *ing qualified official extended duty) is amended by*  
 24     *striking clause (vi).*

1           (2) *EFFECTIVE DATE.*—*The amendment made by*  
 2           *this subsection shall apply to sales or exchanges after*  
 3           *the date of the enactment of this Act.*

4 **SEC. 113. SPECIAL DISPOSITION RULES FOR UNUSED BENE-**  
 5           **FITS IN HEALTH FLEXIBLE SPENDING AR-**  
 6           **RANGEMENTS OF INDIVIDUALS CALLED TO**  
 7           **ACTIVE DUTY.**

8           (a) *IN GENERAL.*—*Section 125 (relating to cafeteria*  
 9           *plans) is amended by redesignating subsections (h) and (i)*  
 10           *as subsection (i) and (j), respectively, and by inserting after*  
 11           *subsection (g) the following new subsection:*

12           “(h) *SPECIAL RULE FOR UNUSED BENEFITS IN*  
 13           *HEALTH FLEXIBLE SPENDING ARRANGEMENTS OF INDI-*  
 14           *VIDUALS CALLED TO ACTIVE DUTY.*—

15           “(1) *IN GENERAL.*—*For purposes of this title, a*  
 16           *plan or other arrangement shall not fail to be treated*  
 17           *as a cafeteria plan or health flexible spending ar-*  
 18           *rangement merely because such arrangement provides*  
 19           *for qualified reservist distributions.*

20           “(2) *QUALIFIED RESERVIST DISTRIBUTION.*—*For*  
 21           *purposes of this subsection, the term ‘qualified reserv-*  
 22           *ist distribution’ means, any distribution to an indi-*  
 23           *vidual of all or a portion of the balance in the em-*  
 24           *ployee’s account under such arrangement if—*





1           “(i) subsections (g) and (h) of section  
2           7872 shall not apply, and

3           “(ii) in the case of determinations  
4           made before January 1, 2015, payments  
5           under section 403 of title 37, United States  
6           Code, as a basic pay allowance for housing  
7           shall be disregarded if the project is located  
8           in a census tract which is designated by the  
9           Governor (of the State in which such tract  
10          is located) as being in need of housing for  
11          members of the Armed Forces of the United  
12          States.”.

13          (b) *EFFECTIVE DATE.*—The amendment made by this  
14          section shall take effect with respect to determinations made  
15          after the date of the enactment of this Act.

## 16       **TITLE II—REVENUE PROVISIONS**

### 17       **SEC. 201. INCREASE IN PENALTY FOR FAILURE TO FILE** 18               **PARTNERSHIP RETURNS.**

19          (a) *INCREASE IN PENALTY AMOUNT.*—Paragraph (1)  
20          of section 6698(b) (relating to amount per month), as  
21          amended by section 8 of the Mortgage Forgiveness Debt Re-  
22          lief Act of 2007, is amended by striking “\$85” and inserting  
23          “\$100”.

24          (b) *EFFECTIVE DATE.*—The amendment made by sub-  
25          section (a) shall take effect as if included in the amendments

1 *made by section 8 of the Mortgage Forgiveness Debt Relief*  
2 *Act of 2007.*

3 **SEC. 202. INCREASE IN PENALTY FOR FAILURE TO FILE S**  
4 **CORPORATION RETURNS.**

5 (a) *IN GENERAL.*—*Paragraph (1) of section 6699(b)*  
6 *(relating to amount per month), as added to the Internal*  
7 *Revenue Code of 1986 by section 9 of the Mortgage Forgive-*  
8 *ness Debt Relief Act of 2007, is amended by striking “\$85”*  
9 *and inserting “\$100”.*

10 (b) *EFFECTIVE DATE.*—*The amendment made by sub-*  
11 *section (a) shall take effect as if included in the amendments*  
12 *made by section 9 of the Mortgage Forgiveness Debt Relief*  
13 *Act of 2007.*

14 **SEC. 203. INCREASE IN MINIMUM PENALTY ON FAILURE TO**  
15 **FILE A RETURN OF TAX.**

16 (a) *IN GENERAL.*—*Subsection (a) of section 6651 is*  
17 *amended by striking “\$100” in the last sentence and insert-*  
18 *ing “\$225”.*

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

22 **SEC. 204. REVISION OF TAX RULES ON EXPATRIATION.**

23 (a) *IN GENERAL.*—*Subpart A of part II of subchapter*  
24 *N of chapter 1 is amended by inserting after section 877*  
25 *the following new section:*

1 **“SEC. 877A. TAX RESPONSIBILITIES OF EXPATRIATION.**

2       “(a) *GENERAL RULES.—For purposes of this*  
3 *subtitle—*

4               “(1) *MARK TO MARKET.—All property of a cov-*  
5 *ered expatriate shall be treated as sold on the day be-*  
6 *fore the expatriation date for its fair market value.*

7               “(2) *RECOGNITION OF GAIN OR LOSS.—In the*  
8 *case of any sale under paragraph (1)—*

9                       “(A) *notwithstanding any other provision of*  
10 *this title, any gain arising from such sale shall*  
11 *be taken into account for the taxable year of the*  
12 *sale, and*

13                       “(B) *any loss arising from such sale shall*  
14 *be taken into account for the taxable year of the*  
15 *sale to the extent otherwise provided by this title,*  
16 *except that section 1091 shall not apply to any*  
17 *such loss.*

18 *Proper adjustment shall be made in the amount of*  
19 *any gain or loss subsequently realized for gain or loss*  
20 *taken into account under the preceding sentence, de-*  
21 *termined without regard to paragraph (3).*

22               “(3) *EXCLUSION FOR CERTAIN GAIN.—*

23                       “(A) *IN GENERAL.—The amount which*  
24 *would (but for this paragraph) be includible in*  
25 *the gross income of any individual by reason of*

1 paragraph (1) shall be reduced (but not below  
2 zero) by \$600,000.

3 “(B) ADJUSTMENT FOR INFLATION.—

4 “(i) IN GENERAL.—In the case of any  
5 taxable year beginning in a calendar year  
6 after 2008, the dollar amount in subpara-  
7 graph (A) shall be increased by an amount  
8 equal to—

9 “(I) such dollar amount, multi-  
10 plied by

11 “(II) the cost-of-living adjustment  
12 determined under section 1(f)(3) for  
13 the calendar year in which the taxable  
14 year begins, by substituting ‘calendar  
15 year 2007’ for ‘calendar year 1992’ in  
16 subparagraph (B) thereof.

17 “(ii) ROUNDING.—If any amount as  
18 adjusted under clause (i) is not a multiple  
19 of \$1,000, such amount shall be rounded to  
20 the nearest multiple of \$1,000.

21 “(b) ELECTION TO DEFER TAX.—

22 “(1) IN GENERAL.—If the taxpayer elects the ap-  
23 plication of this subsection with respect to any prop-  
24 erty treated as sold by reason of subsection (a), the  
25 time for payment of the additional tax attributable to

1 *such property shall be extended until the due date of*  
2 *the return for the taxable year in which such property*  
3 *is disposed of (or, in the case of property disposed of*  
4 *in a transaction in which gain is not recognized in*  
5 *whole or in part, until such other date as the Sec-*  
6 *retary may prescribe).*

7 “(2) *DETERMINATION OF TAX WITH RESPECT TO*  
8 *PROPERTY.—For purposes of paragraph (1), the addi-*  
9 *tional tax attributable to any property is an amount*  
10 *which bears the same ratio to the additional tax im-*  
11 *posed by this chapter for the taxable year solely by*  
12 *reason of subsection (a) as the gain taken into ac-*  
13 *count under subsection (a) with respect to such prop-*  
14 *erty bears to the total gain taken into account under*  
15 *subsection (a) with respect to all property to which*  
16 *subsection (a) applies.*

17 “(3) *TERMINATION OF EXTENSION.—The due*  
18 *date for payment of tax may not be extended under*  
19 *this subsection later than the due date for the return*  
20 *of tax imposed by this chapter for the taxable year*  
21 *which includes the date of death of the expatriate (or,*  
22 *if earlier, the time that the security provided with re-*  
23 *spect to the property fails to meet the requirements of*  
24 *paragraph (4), unless the taxpayer corrects such fail-*  
25 *ure within the time specified by the Secretary).*

1           “(4) *SECURITY.*—

2                   “(A) *IN GENERAL.*—*No election may be*  
3                   *made under paragraph (1) with respect to any*  
4                   *property unless adequate security is provided*  
5                   *with respect to such property.*

6                   “(B) *ADEQUATE SECURITY.*—*For purposes*  
7                   *of subparagraph (A), security with respect to*  
8                   *any property shall be treated as adequate secu-*  
9                   *rity if—*

10                           “(i) *it is a bond which is furnished to,*  
11                           *and accepted by, the Secretary, which is*  
12                           *conditioned on the payment of tax (and in-*  
13                           *terest thereon), and which meets the require-*  
14                           *ments of section 6325, or*

15                           “(ii) *it is another form of security for*  
16                           *such payment (including letters of credit)*  
17                           *that meets such requirements as the Sec-*  
18                           *retary may prescribe.*

19                   “(5) *WAIVER OF CERTAIN RIGHTS.*—*No election*  
20                   *may be made under paragraph (1) unless the tax-*  
21                   *payer makes an irrevocable waiver of any right under*  
22                   *any treaty of the United States which would preclude*  
23                   *assessment or collection of any tax imposed by reason*  
24                   *of this section.*

1           “(6) *ELECTIONS.*—An election under paragraph  
2           (1) shall only apply to property described in the elec-  
3           tion and, once made, is irrevocable.

4           “(7) *INTEREST.*—For purposes of section 6601,  
5           the last date for the payment of tax shall be deter-  
6           mined without regard to the election under this sub-  
7           section.

8           “(c) *EXCEPTION FOR CERTAIN PROPERTY.*—Sub-  
9           section (a) shall not apply to—

10           “(1) any deferred compensation item (as defined  
11           in subsection (d)(4)),

12           “(2) any specified tax deferred account (as de-  
13           fined in subsection (e)(2)), and

14           “(3) any interest in a nongrantor trust (as de-  
15           fined in subsection (f)(3)).

16           “(d) *TREATMENT OF DEFERRED COMPENSATION*  
17           *ITEMS.*—

18           “(1) *WITHHOLDING ON ELIGIBLE DEFERRED*  
19           *COMPENSATION ITEMS.*—

20           “(A) *IN GENERAL.*—In the case of any eligi-  
21           ble deferred compensation item, the payor shall  
22           deduct and withhold from any taxable payment  
23           to a covered expatriate with respect to such item  
24           a tax equal to 30 percent thereof.

1           “(B) *TAXABLE PAYMENT.*—For purposes of  
2           subparagraph (A), the term ‘taxable payment’  
3           means with respect to a covered expatriate any  
4           payment to the extent it would be includible in  
5           the gross income of the covered expatriate if such  
6           expatriate continued to be subject to tax as a cit-  
7           izen or resident of the United States. A deferred  
8           compensation item shall be taken into account as  
9           a payment under the preceding sentence when  
10          such item would be so includible.

11          “(2)    *OTHER    DEFERRED    COMPENSATION*  
12          *ITEMS.*—In the case of any deferred compensation  
13          item which is not an eligible deferred compensation  
14          item—

15               “(A)(i) with respect to any deferred com-  
16               pensation item to which clause (ii) does not  
17               apply, an amount equal to the present value of  
18               the covered expatriate’s accrued benefit shall be  
19               treated as having been received by such indi-  
20               vidual on the day before the expatriation date as  
21               a distribution under the plan, and

22               “(ii) with respect to any deferred compensa-  
23               tion item referred to in paragraph (4)(D), the  
24               rights of the covered expatriate to such item shall  
25               be treated as becoming transferable and not sub-



1           *ject to a substantial risk of forfeiture on the day*  
2           *before the expatriation date,*

3           *“(B) no early distribution tax shall apply*  
4           *by reason of such treatment, and*

5           *“(C) appropriate adjustments shall be made*  
6           *to subsequent distributions from the plan to re-*  
7           *flect such treatment.*

8           *“(3) ELIGIBLE DEFERRED COMPENSATION*  
9           *ITEMS.—For purposes of this subsection, the term ‘eli-*  
10           *gible deferred compensation item’ means any deferred*  
11           *compensation item with respect to which—*

12           *“(A) the payor of such item is—*

13           *“(i) a United States person, or*

14           *“(ii) a person who is not a United*  
15           *States person but who elects to be treated as*  
16           *a United States person for purposes of*  
17           *paragraph (1) and meets such requirements*  
18           *as the Secretary may provide to ensure that*  
19           *the payor will meet the requirements of*  
20           *paragraph (1), and*

21           *“(B) the covered expatriate—*

22           *“(i) notifies the payor of his status as*  
23           *a covered expatriate, and*

24           *“(ii) makes an irrevocable waiver of*  
25           *any right to claim any reduction under any*

1           *treaty with the United States in with-*  
2           *holding on such item.*

3           “(4) *DEFERRED COMPENSATION ITEM.*—*For pur-*  
4           *poses of this subsection, the term ‘deferred compensa-*  
5           *tion item’ means—*

6                   “(A) *any interest in a plan or arrangement*  
7                   *described in section 219(g)(5),*

8                   “(B) *any interest in a foreign pension plan*  
9                   *or similar retirement arrangement or program,*

10                   “(C) *any item of deferred compensation,*  
11                   *and*

12                   “(D) *any property, or right to property,*  
13                   *which the individual is entitled to receive in con-*  
14                   *nection with the performance of services to the*  
15                   *extent not previously taken into account under*  
16                   *section 83 or in accordance with section 83.*

17           “(5) *EXCEPTION.*—*Paragraphs (1) and (2) shall*  
18           *not apply to any deferred compensation item which*  
19           *is attributable to services performed outside the*  
20           *United States while the covered expatriate was not a*  
21           *citizen or resident of the United States.*

22           “(6) *SPECIAL RULES.*—

23                   “(A) *APPLICATION OF WITHHOLDING*  
24                   *RULES.*—*Rules similar to the rules of subchapter*

1           *B of chapter 3 shall apply for purposes of this*  
2           *subsection.*

3           “(B) *APPLICATION OF TAX.—Any item sub-*  
4           *ject to the withholding tax imposed under para-*  
5           *graph (1) shall be subject to tax under section*  
6           *871.*

7           “(C) *COORDINATION WITH OTHER WITH-*  
8           *HOLDING REQUIREMENTS.—Any item subject to*  
9           *withholding under paragraph (1) shall not be*  
10          *subject to withholding under section 1441 or*  
11          *chapter 24.*

12          “(e) *TREATMENT OF SPECIFIED TAX DEFERRED AC-*  
13          *COUNTS.—*

14                 “(1) *ACCOUNT TREATED AS DISTRIBUTED.—In*  
15                 *the case of any interest in a specified tax deferred ac-*  
16                 *count held by a covered expatriate on the day before*  
17                 *the expatriation date—*

18                         “(A) *the covered expatriate shall be treated*  
19                         *as receiving a distribution of his entire interest*  
20                         *in such account on the day before the expatria-*  
21                         *tion date,*

22                                 “(B) *no early distribution tax shall apply*  
23                                 *by reason of such treatment, and*

1           “(C) *appropriate adjustments shall be made*  
2           *to subsequent distributions from the account to*  
3           *reflect such treatment.*

4           “(2) *SPECIFIED TAX DEFERRED ACCOUNT.—For*  
5           *purposes of paragraph (1), the term ‘specified tax de-*  
6           *ferred account’ means an individual retirement plan*  
7           *(as defined in section 7701(a)(37)) other than any ar-*  
8           *rangement described in subsection (k) or (p) of section*  
9           *408, a qualified tuition program (as defined in sec-*  
10           *tion 529), a Coverdell education savings account (as*  
11           *defined in section 530), a health savings account (as*  
12           *defined in section 223), and an Archer MSA (as de-*  
13           *fined in section 220).*

14           “(f) *SPECIAL RULES FOR NONGRANTOR TRUSTS.—*

15           “(1) *IN GENERAL.—In the case of a distribution*  
16           *(directly or indirectly) of any property from a non-*  
17           *grantor trust to a covered expatriate—*

18           “(A) *the trustee shall deduct and withhold*  
19           *from such distribution an amount equal to 30*  
20           *percent of the taxable portion of the distribution,*  
21           *and*

22           “(B) *if the fair market value of such prop-*  
23           *erty exceeds its adjusted basis in the hands of the*  
24           *trust, gain shall be recognized to the trust as if*

1           *such property were sold to the expatriate at its*  
2           *fair market value.*

3           “(2) *TAXABLE PORTION.*—*For purposes of this*  
4           *subsection, the term ‘taxable portion’ means, with re-*  
5           *spect to any distribution, that portion of the distribu-*  
6           *tion which would be includible in the gross income of*  
7           *the covered expatriate if such expatriate continued to*  
8           *be subject to tax as a citizen or resident of the United*  
9           *States.*

10           “(3) *NONGRANTOR TRUST.*—*For purposes of this*  
11           *subsection, the term ‘nongrantor trust’ means the por-*  
12           *tion of any trust that the individual is not considered*  
13           *the owner of under subpart E of part I of subchapter*  
14           *J. The determination under the preceding sentence*  
15           *shall be made immediately before the expatriation*  
16           *date.*

17           “(4) *SPECIAL RULES RELATING TO WITH-*  
18           *HOLDING.*—*For purposes of this subsection—*

19                   “(A) *rules similar to the rules of subsection*  
20                   *(d)(6) shall apply, and*

21                   “(B) *the covered expatriate shall be treated*  
22                   *as having waived any right to claim any reduc-*  
23                   *tion under any treaty with the United States in*  
24                   *withholding on any distribution to which para-*  
25                   *graph (1)(A) applies unless the covered expa-*

1           *triate agrees to such other treatment as the Sec-*  
2           *retary determines appropriate.*

3           “(5) *APPLICATION.—This subsection shall apply*  
4           *to a nongrantor trust only if the covered expatriate*  
5           *was a beneficiary of the trust on the day before the*  
6           *expatriation date.*

7           “(g) *DEFINITIONS AND SPECIAL RULES RELATING TO*  
8           *EXPATRIATION.—For purposes of this section—*

9           “(1) *COVERED EXPATRIATE.—*

10           “(A) *IN GENERAL.—The term ‘covered expa-*  
11           *triate’ means an expatriate who meets the re-*  
12           *quirements of subparagraph (A), (B), or (C) of*  
13           *section 877(a)(2).*

14           “(B) *EXCEPTIONS.—An individual shall*  
15           *not be treated as meeting the requirements of*  
16           *subparagraph (A) or (B) of section 877(a)(2)*  
17           *if—*

18           “(i) *the individual—*

19           “(I) *became at birth a citizen of*  
20           *the United States and a citizen of an-*  
21           *other country and, as of the expatria-*  
22           *tion date, continues to be a citizen of,*  
23           *and is taxed as a resident of, such*  
24           *other country, and*

1                   “(II) has been a resident of the  
2                   United States (as defined in section  
3                   7701(b)(1)(A)(ii)) for not more than  
4                   10 taxable years during the 15-taxable  
5                   year period ending with the taxable  
6                   year during which the expatriation  
7                   date occurs, or

8                   “(ii)(I) the individual’s relinquishment  
9                   of United States citizenship occurs before  
10                  such individual attains age 18<sup>1</sup>/<sub>2</sub>, and

11                  “(II) the individual has been a resi-  
12                  dent of the United States (as so defined) for  
13                  not more than 10 taxable years before the  
14                  date of relinquishment.

15                  “(C) COVERED EXPATRIATES ALSO SUBJECT  
16                  TO TAX AS CITIZENS OR RESIDENTS.—In the  
17                  case of any covered expatriate who is subject to  
18                  tax as a citizen or resident of the United States  
19                  for any period beginning after the expatriation  
20                  date, such individual shall not be treated as a  
21                  covered expatriate during such period for pur-  
22                  poses of subsections (d)(1) and (f) and section  
23                  2801.

24                  “(2) EXPATRIATE.—The term ‘expatriate’  
25                  means—

1           “(A) any United States citizen who relin-  
2           quishes his citizenship, and

3           “(B) any long-term resident of the United  
4           States who ceases to be a lawful permanent resi-  
5           dent of the United States (within the meaning of  
6           section 7701(b)(6)).

7           “(3) *EXPATRIATION DATE*.—The term ‘expatria-  
8           tion date’ means—

9           “(A) the date an individual relinquishes  
10           United States citizenship, or

11           “(B) in the case of a long-term resident of  
12           the United States, the date on which the indi-  
13           vidual ceases to be a lawful permanent resident  
14           of the United States (within the meaning of sec-  
15           tion 7701(b)(6)).

16           “(4) *RELINQUISHMENT OF CITIZENSHIP*.—A cit-  
17           izen shall be treated as relinquishing his United  
18           States citizenship on the earliest of—

19           “(A) the date the individual renounces his  
20           United States nationality before a diplomatic or  
21           consular officer of the United States pursuant to  
22           paragraph (5) of section 349(a) of the Immigra-  
23           tion and Nationality Act (8 U.S.C. 1481(a)(5)),

24           “(B) the date the individual furnishes to the  
25           United States Department of State a signed



1 *statement of voluntary relinquishment of United*  
2 *States nationality confirming the performance of*  
3 *an act of expatriation specified in paragraph*  
4 *(1), (2), (3), or (4) of section 349(a) of the Im-*  
5 *migration and Nationality Act (8 U.S.C.*  
6 *1481(a)(1)–(4)),*

7 *“(C) the date the United States Department*  
8 *of State issues to the individual a certificate of*  
9 *loss of nationality, or*

10 *“(D) the date a court of the United States*  
11 *cancels a naturalized citizen’s certificate of natu-*  
12 *ralization.*

13 *Subparagraph (A) or (B) shall not apply to any in-*  
14 *dividual unless the renunciation or voluntary relin-*  
15 *quishment is subsequently approved by the issuance to*  
16 *the individual of a certificate of loss of nationality by*  
17 *the United States Department of State.*

18 *“(5) LONG-TERM RESIDENT.—The term ‘long-*  
19 *term resident’ has the meaning given to such term by*  
20 *section 877(e)(2).*

21 *“(6) EARLY DISTRIBUTION TAX.—The term*  
22 *‘early distribution tax’ means any increase in tax im-*  
23 *posed under section 72(t), 220(e)(4), 223(f)(4),*  
24 *409A(a)(1)(B), 529(c)(6), or 530(d)(4).*

25 *“(h) OTHER RULES.—*

1           “(1) *TERMINATION OF DEFERRALS, ETC.*—*In the*  
2 *case of any covered expatriate, notwithstanding any*  
3 *other provision of this title—*

4           “(A) *any time period for acquiring prop-*  
5 *erty which would result in the reduction in the*  
6 *amount of gain recognized with respect to prop-*  
7 *erty disposed of by the taxpayer shall terminate*  
8 *on the day before the expatriation date, and*

9           “(B) *any extension of time for payment of*  
10 *tax shall cease to apply on the day before the ex-*  
11 *patiation date and the unpaid portion of such*  
12 *tax shall be due and payable at the time and in*  
13 *the manner prescribed by the Secretary.*

14           “(2) *STEP-UP IN BASIS.*—*Solely for purposes of*  
15 *determining any tax imposed by reason of subsection*  
16 *(a), property which was held by an individual on the*  
17 *date the individual first became a resident of the*  
18 *United States (within the meaning of section 7701(b))*  
19 *shall be treated as having a basis on such date of not*  
20 *less than the fair market value of such property on*  
21 *such date. The preceding sentence shall not apply if*  
22 *the individual elects not to have such sentence apply.*  
23 *Such an election, once made, shall be irrevocable.*

24           “(3) *COORDINATION WITH SECTION 684.*—*If the*  
25 *expatriation of any individual would result in the*

1       *recognition of gain under section 684, this section*  
 2       *shall be applied after the application of section 684.*

3       “(i) *REGULATIONS.—The Secretary shall prescribe*  
 4 *such regulations as may be necessary or appropriate to*  
 5 *carry out the purposes of this section.*”.

6       (b) *TAX ON GIFTS AND BEQUESTS RECEIVED BY*  
 7 *UNITED STATES CITIZENS AND RESIDENTS FROM EXPA-*  
 8 *TRIATES.—*

9           (1) *IN GENERAL.—Subtitle B (relating to estate*  
 10 *and gift taxes) is amended by inserting after chapter*  
 11 *14 the following new chapter:*

12       **“CHAPTER 15—GIFTS AND BEQUESTS**  
 13                           **FROM EXPATRIATES**

*“Sec. 2801. Imposition of tax.*

14       **“SEC. 2801. IMPOSITION OF TAX.**

15       “(a) *IN GENERAL.—If, during any calendar year, any*  
 16 *United States citizen or resident receives any covered gift*  
 17 *or bequest, there is hereby imposed a tax equal to the prod-*  
 18 *uct of—*

19           “(1) *the highest rate of tax specified in the table*  
 20 *contained in section 2001(c) as in effect on the date*  
 21 *of such receipt (or, if greater, the highest rate of tax*  
 22 *specified in the table applicable under section 2502(a)*  
 23 *as in effect on the date), and*

24           “(2) *the value of such covered gift or bequest.*

1       “(b) *TAX TO BE PAID BY RECIPIENT.*—*The tax im-*  
2 *posed by subsection (a) on any covered gift or bequest shall*  
3 *be paid by the person receiving such gift or bequest.*

4       “(c) *EXCEPTION FOR CERTAIN GIFTS.*—*Subsection (a)*  
5 *shall apply only to the extent that the value of covered gifts*  
6 *and bequests received by any person during the calendar*  
7 *year exceeds the dollar amount in effect under section*  
8 *2503(b) for such calendar year.*

9       “(d) *TAX REDUCED BY FOREIGN GIFT OR ESTATE*  
10 *TAX.*—*The tax imposed by subsection (a) on any covered*  
11 *gift or bequest shall be reduced by the amount of any gift*  
12 *or estate tax paid to a foreign country with respect to such*  
13 *covered gift or bequest.*

14       “(e) *COVERED GIFT OR BEQUEST.*—

15               “(1) *IN GENERAL.*—*For purposes of this chapter,*  
16 *the term ‘covered gift or bequest’ means—*

17                       “(A) *any property acquired by gift directly*  
18 *or indirectly from an individual who, at the*  
19 *time of such acquisition, is a covered expatriate,*  
20 *and*

21                       “(B) *any property acquired directly or in-*  
22 *directly by reason of the death of an individual*  
23 *who, immediately before such death, was a cov-*  
24 *ered expatriate.*

1           “(2) *EXCEPTIONS FOR TRANSFERS OTHERWISE*  
2           *SUBJECT TO ESTATE OR GIFT TAX.*—Such term shall  
3           *not include—*

4                   “(A) *any property shown on a timely filed*  
5                   *return of tax imposed by chapter 12 which is a*  
6                   *taxable gift by the covered expatriate, and*

7                   “(B) *any property included in the gross es-*  
8                   *tate of the covered expatriate for purposes of*  
9                   *chapter 11 and shown on a timely filed return*  
10                  *of tax imposed by chapter 11 of the estate of the*  
11                  *covered expatriate.*

12           “(3) *EXCEPTIONS FOR TRANSFERS TO SPOUSE*  
13           *OR CHARITY.*—Such term shall not include any prop-  
14           *erty with respect to which a deduction would be al-*  
15           *lowed under section 2055, 2056, 2522, or 2523,*  
16           *whichever is appropriate, if the decedent or donor*  
17           *were a United States person.*

18           “(4) *TRANSFERS IN TRUST.*—

19                   “(A) *DOMESTIC TRUSTS.*—*In the case of a*  
20                   *covered gift or bequest made to a domestic*  
21                   *trust—*

22                           “(i) *subsection (a) shall apply in the*  
23                           *same manner as if such trust were a United*  
24                           *States citizen, and*

1           “(ii) *the tax imposed by subsection (a)*  
2           *on such gift or bequest shall be paid by such*  
3           *trust.*

4           “(B) *FOREIGN TRUSTS.—*

5           “(i) *IN GENERAL.—In the case of a*  
6           *covered gift or bequest made to a foreign*  
7           *trust, subsection (a) shall apply to any dis-*  
8           *tribution attributable to such gift or bequest*  
9           *from such trust (whether from income or*  
10           *corpus) to a United States citizen or resi-*  
11           *dent in the same manner as if such dis-*  
12           *tribution were a covered gift or bequest.*

13           “(ii) *DEDUCTION FOR TAX PAID BY RE-*  
14           *CIPIENT.—There shall be allowed as a de-*  
15           *duction under section 164 the amount of tax*  
16           *imposed by this section which is paid or ac-*  
17           *crued by a United States citizen or resident*  
18           *by reason of a distribution from a foreign*  
19           *trust, but only to the extent such tax is im-*  
20           *posed on the portion of such distribution*  
21           *which is included in the gross income of*  
22           *such citizen or resident.*

23           “(iii) *ELECTION TO BE TREATED AS*  
24           *DOMESTIC TRUST.—Solely for purposes of*  
25           *this section, a foreign trust may elect to be*

1           *treated as a domestic trust. Such an election*  
2           *may be revoked with the consent of the Sec-*  
3           *retary.*

4           “(f) *COVERED EXPATRIATE.*—*For purposes of this sec-*  
5           *tion, the term ‘covered expatriate’ has the meaning given*  
6           *to such term by section 877A(g)(1).”.*

7           (2) *CLERICAL AMENDMENT.*—*The table of chap-*  
8           *ters for subtitle B is amended by inserting after the*  
9           *item relating to chapter 14 the following new item:*

          “CHAPTER 15. *GIFTS AND BEQUESTS FROM EXPATRIATES.*”.

10          (c) *DEFINITION OF TERMINATION OF UNITED STATES*  
11 *CITIZENSHIP.*—

12           (1) *IN GENERAL.*—*Section 7701(a) is amended*  
13 *by adding at the end the following new paragraph:*

14           “(50) *TERMINATION OF UNITED STATES CITIZEN-*  
15 *SHIP.*—

16           “(A) *IN GENERAL.*—*An individual shall not*  
17 *cease to be treated as a United States citizen be-*  
18 *fore the date on which the individual’s citizen-*  
19 *ship is treated as relinquished under section*  
20 *877A(g)(4).*

21           “(B) *DUAL CITIZENS.*—*Under regulations*  
22 *prescribed by the Secretary, subparagraph (A)*  
23 *shall not apply to an individual who became at*  
24 *birth a citizen of the United States and a citizen*  
25 *of another country.”.*

1           (2) *CONFORMING AMENDMENTS.*—

2                   (A) *Paragraph (1) of section 877(e) is*  
3                   *amended to read as follows:*

4                   “(1) *IN GENERAL.*—*Any long-term resident of*  
5                   *the United States who ceases to be a lawful perma-*  
6                   *nent resident of the United States (within the mean-*  
7                   *ing of section 7701(b)(6)) shall be treated for purposes*  
8                   *of this section and sections 2107, 2501, and 6039G in*  
9                   *the same manner as if such resident were a citizen of*  
10                   *the United States who lost United States citizenship*  
11                   *on the date of such cessation or commencement.”.*

12                   (B) *Paragraph (6) of section 7701(b) is*  
13                   *amended by adding at the end the following flush*  
14                   *sentence:*

15                   “*An individual shall cease to be treated as a lawful*  
16                   *permanent resident of the United States if such indi-*  
17                   *vidual commences to be treated as a resident of a for-*  
18                   *foreign country under the provisions of a tax treaty be-*  
19                   *tween the United States and the foreign country, does*  
20                   *not waive the benefits of such treaty applicable to*  
21                   *residents of the foreign country, and notifies the Sec-*  
22                   *retary of the commencement of such treatment.”.*

23                   (C) *Section 7701 is amended by striking*  
24                   *subsection (n) and by redesignating subsections*



1           (o) and (p) as subsections (n) and (o), respec-  
2           tively.

3           (d) *INFORMATION RETURNS.*—Section 6039G is  
4 amended—

5           (1) by inserting “or 877A” after “section 877(b)”  
6           in subsection (a), and

7           (2) by inserting “or 877A” after “section  
8           877(a)” in subsection (d).

9           (e) *CLERICAL AMENDMENT.*—The table of sections for  
10 subpart A of part II of subchapter N of chapter 1 is amend-  
11 ed by inserting after the item relating to section 877 the  
12 following new item:

“Sec. 877A. Tax responsibilities of expatriation.”.

13           (f) *EFFECTIVE DATE.*—

14           (1) *IN GENERAL.*—Except as provided in this  
15 subsection, the amendments made by this section shall  
16 apply to expatriates (as defined in section 877A(g) of  
17 the Internal Revenue Code of 1986, as added by this  
18 section) whose expatriation date (as so defined) is on  
19 or after the date of the enactment of this Act.

20           (2) *GIFTS AND BEQUESTS.*—Chapter 15 of the  
21 Internal Revenue Code of 1986 (as added by sub-  
22 section (b)) shall apply to covered gifts and bequests  
23 (as defined in section 2801 of such Code, as so added)  
24 received on or after the date of the enactment of this

1       *Act from transferors whose expatriation date is on or*  
 2       *after such date of enactment.*

3   **SEC. 205. SPECIAL ENROLLMENT OPTION BY EMPLOYER**  
 4               **HEALTH PLANS FOR MEMBERS OF UNIFORM**  
 5               **SERVICES WHO LOSE HEALTH CARE COV-**  
 6               **ERAGE.**

7       *(a) IN GENERAL.—Section 9801(f) (relating to special*  
 8       *enrollment periods) is amended by adding at the end the*  
 9       *following new paragraph:*

10               “(3) *LOSS OF MILITARY HEALTH COVERAGE.—*

11                       “(A) *IN GENERAL.—Notwithstanding para-*  
 12                       *graphs (1) and (2), a group health plan shall*  
 13                       *permit an employee who is eligible, but not en-*  
 14                       *rolled, for coverage under the terms of the plan*  
 15                       *(or a dependent of such an employee if the de-*  
 16                       *pendent is eligible, but not enrolled, for coverage*  
 17                       *under such terms) to enroll for coverage under*  
 18                       *the terms of the plan if each of the following con-*  
 19                       *ditions is met:*

20                               “(i) *The employee or dependent, by*  
 21                               *reason of service in the uniformed services*  
 22                               *(within the meaning of section 4303 of title*  
 23                               *38, United States Code), was covered under*  
 24                               *a Federal health care benefit program (in-*  
 25                               *cluding coverage under the TRICARE pro-*

1            *gram (as that term is defined in section*  
2            *1072 of title 10, United States Code) or by*  
3            *reason of entitlement to health care benefits*  
4            *under the laws administered by the Sec-*  
5            *retary of Veterans Affairs or as a member*  
6            *of the uniformed services on active duty),*  
7            *and the employee or dependent loses eligi-*  
8            *bility for such coverage.*

9            *“(ii) The employee or dependent is oth-*  
10           *erwise eligible to enroll for coverage under*  
11           *the terms of the plan.*

12           *“(iii) The employee requests such cov-*  
13           *erage not later than 90 days after the date*  
14           *on which the coverage described in clause (i)*  
15           *terminated.*

16           *“(B) EFFECTIVE DATE OF COVERAGE.—*  
17           *Coverage requested under subparagraph (A)(iii)*  
18           *shall become effective not later than the first day*  
19           *of the first month after the date of such request.”.*

20           *(b) EMPLOYEE RETIREMENT INCOME SECURITY ACT*  
21           *OF 1974.—Section 701(f) of the Employee Retirement In-*  
22           *come Security Act of 1974 (29 U.S.C. 1181(f)) is amended*  
23           *by adding at the end the following:*

24           *“(3) LOSS OF MILITARY HEALTH COVERAGE.—*

1           “(A) *IN GENERAL.*—Notwithstanding para-  
2           graphs (1) and (2), a group health plan, and a  
3           health insurance issuer offering group health in-  
4           surance coverage in connection with a group  
5           health plan, shall permit an employee who is eli-  
6           gible, but not enrolled, for coverage under the  
7           terms of the plan (or a dependent of such an em-  
8           ployee if the dependent is eligible, but not en-  
9           rolled, for coverage under such terms) to enroll  
10          for coverage under the terms of the plan if each  
11          of the following conditions is met:

12                 “(i) *The employee or dependent, by*  
13                 *reason of service in the uniformed services*  
14                 *(within the meaning of section 4303 of title*  
15                 *38, United States Code), was covered under*  
16                 *a Federal health care benefit program (in-*  
17                 *cluding coverage under the TRICARE pro-*  
18                 *gram (as that term is defined in section*  
19                 *1072 of title 10, United States Code) or by*  
20                 *reason of entitlement to health care benefits*  
21                 *under the laws administered by the Sec-*  
22                 *retary of Veterans Affairs or as a member*  
23                 *of the uniformed services on active duty),*  
24                 *and the employee or dependent loses eligi-*  
25                 *bility for such coverage.*

1           “(ii) *The employee or dependent is oth-*  
2           *erwise eligible to enroll for coverage under*  
3           *the terms of the plan.*

4           “(iii) *The employee requests such cov-*  
5           *erage not later than 90 days after the date*  
6           *on which the coverage described in clause (i)*  
7           *terminated.*

8           “(B) *EFFECTIVE DATE OF COVERAGE.—*  
9           *Coverage requested under subparagraph (A)(iii)*  
10          *shall become effective not later than the first day*  
11          *of the first month after the date of such request.”.*

12          (c) *PUBLIC HEALTH SERVICE ACT.—Section 2701(f)*  
13          *of the Public Health Service Act (42 U.S.C. 300gg(f)) is*  
14          *amended by adding at the end the following:*

15               “(3) *LOSS OF MILITARY HEALTH COVERAGE.—*

16               “(A) *IN GENERAL.—Notwithstanding para-*  
17               *graphs (1) and (2), a group health plan, and a*  
18               *health insurance issuer offering group health in-*  
19               *surance coverage in connection with a group*  
20               *health plan, shall permit an employee who is eli-*  
21               *gible, but not enrolled, for coverage under the*  
22               *terms of the plan (or a dependent of such an em-*  
23               *ployee if the dependent is eligible, but not en-*  
24               *rolled, for coverage under such terms) to enroll*

1           *for coverage under the terms of the plan if each*  
2           *of the following conditions is met:*

3                   “(i) *The employee or dependent, by*  
4                   *reason of service in the uniformed services*  
5                   *(within the meaning of section 4303 of title*  
6                   *38, United States Code), was covered under*  
7                   *a Federal health care benefit program (in-*  
8                   *cluding coverage under the TRICARE pro-*  
9                   *gram (as that term is defined in section*  
10                   *1072 of title 10, United States Code) or by*  
11                   *reason of entitlement to health care benefits*  
12                   *under the laws administered by the Sec-*  
13                   *retary of Veterans Affairs or as a member*  
14                   *of the uniformed services on active duty),*  
15                   *and the employee or dependent loses eligi-*  
16                   *bility for such coverage.*

17                   “(ii) *The employee or dependent is oth-*  
18                   *erwise eligible to enroll for coverage under*  
19                   *the terms of the plan.*

20                   “(iii) *The employee requests such cov-*  
21                   *erage not later than 90 days after the date*  
22                   *on which the coverage described in clause (i)*  
23                   *terminated.*

24                   “(B) *EFFECTIVE DATE OF COVERAGE.—*  
25                   *Coverage requested under subparagraph (A)(iii)*

1           shall become effective not later than the first day  
2           of the first month after the date of such request.”.

3           (d) *REGULATIONS.*—The Secretary of the Treasury, the  
4 Secretary of Labor, and the Secretary of Health and  
5 Human Services, consistent with section 104 of the Health  
6 Insurance Portability and Accountability Act of 1996 (42  
7 U.S.C. 300gg–92 note), may promulgate such regulations  
8 as may be necessary or appropriate to require the notifica-  
9 tion of individuals (or their dependents) of their rights  
10 under the amendment made by this Act.

11           (e) *EFFECTIVE DATE.*—The amendments made by this  
12 section shall take effect 90 days after the date of the enact-  
13 ment of this Act.

### 14           **TITLE III—TAX TECHNICAL** 15           **CORRECTIONS**

#### 16           **SEC. 301. SHORT TITLE.**

17           This title may be cited as the “”.

#### 18           **SEC. 302. AMENDMENT RELATED TO THE TAX RELIEF AND** 19           **HEALTH CARE ACT OF 2006.**

20           (a) *AMENDMENT RELATED TO SECTION 402 OF DIVI-*  
21 *SION A OF THE ACT.*—Subparagraph (A) of section 53(e)(2)  
22 is amended to read as follows:

23                   “(A) *IN GENERAL.*—The term ‘AMT refund-  
24                   able credit amount’ means, with respect to any  
25                   taxable year, the amount (not in excess of the

1           *long-term unused minimum tax credit for such*  
2           *taxable year) equal to the greater of—*

3                     “(i) \$5,000,

4                     “(ii) 20 percent of the long-term un-  
5           *used minimum tax credit for such taxable*  
6           *year, or*

7                     “(iii) the amount (if any) of the AMT  
8           *refundable credit amount determined under*  
9           *this paragraph for the taxpayer’s preceding*  
10           *taxable year (as determined before any re-*  
11           *duction under subparagraph (B)).”.*

12           **(b) EFFECTIVE DATE.**—*The amendment made by this*  
13           *section shall take effect as if included in the provision of*  
14           *the Tax Relief and Health Care Act of 2006 to which it*  
15           *relates.*

16           **SEC. 303. AMENDMENTS RELATED TO TITLE XII OF THE**  
17                     **PENSION PROTECTION ACT OF 2006.**

18           **(a) AMENDMENT RELATED TO SECTION 1201 OF THE**  
19           **ACT.**—*Subparagraph (D) of section 408(d)(8) is amended*  
20           *by striking “all amounts distributed from all individual re-*  
21           *tirement plans were treated as 1 contract under paragraph*  
22           *(2)(A) for purposes of determining the inclusion of such dis-*  
23           *tribution under section 72” and inserting “all amounts in*  
24           *all individual retirement plans of the individual were dis-*  
25           *tributed during such taxable year and all such plans were*



1 *treated as 1 contract for purposes of determining under sec-*  
2 *tion 72 the aggregate amount which would have been so in-*  
3 *cludible”.*

4 (b) *AMENDMENT RELATED TO SECTION 1203 OF THE*  
5 *ACT.—Subsection (d) of section 1366 is amended by adding*  
6 *at the end the following new paragraph:*

7 “(4) *APPLICATION OF LIMITATION ON CHARIT-*  
8 *TABLE CONTRIBUTIONS.—In the case of any chari-*  
9 *table contribution of property to which the second*  
10 *sentence of section 1367(a)(2) applies, paragraph (1)*  
11 *shall not apply to the extent of the excess (if any)*  
12 *of—*

13 “(A) *the shareholder’s pro rata share of such*  
14 *contribution, over*

15 “(B) *the shareholder’s pro rata share of the*  
16 *adjusted basis of such property.”.*

17 (c) *AMENDMENT RELATED TO SECTION 1215 OF THE*  
18 *ACT.—Subclause (I) of section 170(e)(7)(D)(i) is amended*  
19 *by striking “related” and inserting “substantial and re-*  
20 *lated”.*

21 (d) *AMENDMENTS RELATED TO SECTION 1218 OF THE*  
22 *ACT.—*

23 (1) *Section 2055 is amended by striking sub-*  
24 *section (g) and by redesignating subsection (h) as sub-*  
25 *section (g).*

1           (2) *Subsection (e) of section 2522 is amended—*

2                   (A) *by striking paragraphs (2) and (4),*

3                   (B) *by redesignating paragraph (3) as*  
4 *paragraph (2), and*

5                   (C) *by adding at the end of paragraph (2),*  
6 *as so redesignated, the following new subpara-*  
7 *graph:*

8                   “(C) *INITIAL FRACTIONAL CONTRIBUTION.—*

9                   *For purposes of this paragraph, the term ‘initial*  
10 *fractional contribution’ means, with respect to*  
11 *any donor, the first gift of an undivided portion*  
12 *of the donor’s entire interest in any tangible per-*  
13 *sonal property for which a deduction is allowed*  
14 *under subsection (a) or (b).”.*

15           (e) *AMENDMENTS RELATED TO SECTION 1219 OF THE*  
16 *ACT.—*

17                   (1) *Paragraph (2) of section 6695A(a) is amend-*  
18 *ed by inserting “a substantial estate or gift tax valu-*  
19 *ation understatement (within the meaning of section*  
20 *6662(g)),” before “or a gross valuation misstatement”.*

21                   (2) *Paragraph (1) of section 6696(d) is amended*  
22 *by striking “or under section 6695” and inserting “,*  
23 *section 6695, or 6695A”.*

1       (f) *AMENDMENT RELATED TO SECTION 1221 OF THE*  
2 *ACT.—Subparagraph (A) of section 4940(c)(4) is amended*  
3 *to read as follows:*

4               “(A) *There shall not be taken into account*  
5 *any gain or loss from the sale or other disposi-*  
6 *tion of property to the extent that such gain or*  
7 *loss is taken into account for purposes of com-*  
8 *puting the tax imposed by section 511.”.*

9       (g) *AMENDMENT RELATED TO SECTION 1225 OF THE*  
10 *ACT.—*

11       (1) *Subsection (b) of section 6104 is amended—*

12               (A) *by striking “INFORMATION” in the*  
13 *heading, and*

14               (B) *by adding at the end the following:*

15               “*Any annual return which is filed under section*  
16 *6011 by an organization described in section*  
17 *501(c)(3) and which relates to any tax imposed*  
18 *by section 511 (relating to imposition of tax on*  
19 *unrelated business income of charitable, etc., or-*  
20 *ganizations) shall be treated for purposes of this*  
21 *subsection in the same manner as if furnished*  
22 *under section 6033.”.*

23       (2) *Clause (ii) of section 6104(d)(1)(A) is*  
24 *amended to read as follows:*

1           “(ii) any annual return which is filed  
2           under section 6011 by an organization de-  
3           scribed in section 501(c)(3) and which re-  
4           lates to any tax imposed by section 511 (re-  
5           lating to imposition of tax on unrelated  
6           business income of charitable, etc., organiza-  
7           tions),”.

8           (3) Paragraph (2) of section 6104(d) is amended  
9           by striking “section 6033” and inserting “section  
10          6011 or 6033”.

11          (h) AMENDMENT RELATED TO SECTION 1231 OF THE  
12          ACT.—Subsection (b) of section 4962 is amended by strik-  
13          ing “or D” and inserting “D, or G”.

14          (i) AMENDMENT RELATED TO SECTION 1242 OF THE  
15          ACT.—

16               (1) Subclause (II) of section 4958(c)(3)(A)(i) is  
17               amended by striking “paragraph (1), (2), or (4) of  
18               section 509(a)” and inserting “subparagraph  
19               (C)(ii)”.

20               (2) Clause (ii) of section 4958(c)(3)(C) is amend-  
21               ed to read as follows:

22                       “(ii) EXCEPTION.—Such term shall not  
23                       include—

1                   “(I) any organization described in  
2                   paragraph (1), (2), or (4) of section  
3                   509(a), and

4                   “(II) any organization which is  
5                   treated as described in such paragraph  
6                   (2) by reason of the last sentence of sec-  
7                   tion 509(a) and which is a supported  
8                   organization (as defined in section  
9                   509(f)(3)) of the organization to which  
10                  subparagraph (A) applies.”.

11           (j) *EFFECTIVE DATE.*—The amendments made by this  
12 section shall take effect as if included in the provisions of  
13 the Pension Protection Act of 2006 to which they relate.

14 **SEC. 304. AMENDMENTS RELATED TO THE TAX INCREASE**  
15                   **PREVENTION AND RECONCILIATION ACT OF**  
16                   **2005.**

17           (a) *AMENDMENTS RELATED TO SECTION 103 OF THE*  
18 *ACT.*—Paragraph (6) of section 954(c) is amended by redес-  
19 ignating subparagraph (B) as subparagraph (C) and in-  
20 serting after subparagraph (A) the following new subpara-  
21 graph:

22                   “(B) *EXCEPTION.*—Subparagraph (A) shall  
23                   not apply in the case of any interest, rent, or  
24                   royalty to the extent such interest, rent, or roy-  
25                   alty creates (or increases) a deficit which under

1           *section 952(c) may reduce the subpart F income*  
2           *of the payor or another controlled foreign cor-*  
3           *poration.”.*

4           ***(b) AMENDMENTS RELATED TO SECTION 202 OF THE***  
5 ***ACT.—***

6           ***(1) Subparagraph (A) of section 355(b)(2) is***  
7 ***amended to read as follows:***

8                   ***“(A) it is engaged in the active conduct of***  
9                   ***a trade or business,”.***

10           ***(2) Paragraph (3) of section 355(b) is amended***  
11 ***to read as follows:***

12                   ***“(3) SPECIAL RULES FOR DETERMINING ACTIVE***  
13 ***CONDUCT IN THE CASE OF AFFILIATED GROUPS.—***

14                   ***“(A) IN GENERAL.—For purposes of deter-***  
15 ***mining whether a corporation meets the require-***  
16 ***ments of paragraph (2)(A), all members of such***  
17 ***corporation’s separate affiliated group shall be***  
18 ***treated as one corporation.***

19                   ***“(B) SEPARATE AFFILIATED GROUP.—For***  
20 ***purposes of this paragraph, the term ‘separate***  
21 ***affiliated group’ means, with respect to any cor-***  
22 ***poration, the affiliated group which would be de-***  
23 ***termined under section 1504(a) if such corpora-***  
24 ***tion were the common parent and section***  
25 ***1504(b) did not apply.***

1           “(C) *TREATMENT OF TRADE OR BUSINESS*  
2           *CONDUCTED BY ACQUIRED MEMBER.*—*If a cor-*  
3           *poration became a member of a separate affili-*  
4           *ated group as a result of one or more trans-*  
5           *actions in which gain or loss was recognized in*  
6           *whole or in part, any trade or business con-*  
7           *ducted by such corporation (at the time that*  
8           *such corporation became such a member) shall be*  
9           *treated for purposes of paragraph (2) as ac-*  
10          *quired in a transaction in which gain or loss*  
11          *was recognized in whole or in part.*

12           “(D) *REGULATIONS.*—*The Secretary shall*  
13          *prescribe such regulations as are necessary or*  
14          *appropriate to carry out the purposes of this*  
15          *paragraph, including regulations which provide*  
16          *for the proper application of subparagraphs (B),*  
17          *(C), and (D) of paragraph (2), and modify the*  
18          *application of subsection (a)(3)(B), in connec-*  
19          *tion with the application of this paragraph.”.*

20           (3) *The Internal Revenue Code of 1986 shall be*  
21          *applied and administered as if the amendments made*  
22          *by section 202 of the Tax Increase Prevention and*  
23          *Reconciliation Act of 2005 and by section 410 of divi-*  
24          *sion A of the Tax Relief and Health Care Act of 2006*  
25          *had never been enacted.*

1       (c) *AMENDMENT RELATED TO SECTION 515 OF THE*  
2 *ACT.*—*Subsection (f) of section 911 is amended to read as*  
3 *follows:*

4       “(f) *DETERMINATION OF TAX LIABILITY.*—

5             “(1) *IN GENERAL.*—*If, for any taxable year, any*  
6 *amount is excluded from gross income of a taxpayer*  
7 *under subsection (a), then, notwithstanding sections 1*  
8 *and 55—*

9             “(A) *if such taxpayer has taxable income*  
10 *for such taxable year, the tax imposed by section*  
11 *1 for such taxable year shall be equal to the ex-*  
12 *cess (if any) of—*

13             “(i) *the tax which would be imposed by*  
14 *section 1 for such taxable year if the tax-*  
15 *payer’s taxable income were increased by*  
16 *the amount excluded under subsection (a)*  
17 *for such taxable year, over*

18             “(ii) *the tax which would be imposed*  
19 *by section 1 for such taxable year if the tax-*  
20 *payer’s taxable income were equal to the*  
21 *amount excluded under subsection (a) for*  
22 *such taxable year, and*

23             “(B) *if such taxpayer has a taxable excess*  
24 *(as defined in section 55(b)(1)(A)(ii)) for such*  
25 *taxable year, the amount determined under the*



1 *first sentence of section 55(b)(1)(A)(i) for such*  
2 *taxable year shall be equal to the excess (if any)*  
3 *of—*

4 *“(i) the amount which would be deter-*  
5 *mined under such sentence for such taxable*  
6 *year (subject to the limitation of section*  
7 *55(b)(3)) if the taxpayer’s taxable excess (as*  
8 *so defined) were increased by the amount*  
9 *excluded under subsection (a) for such tax-*  
10 *able year, over*

11 *“(ii) the amount which would be deter-*  
12 *mined under such sentence for such taxable*  
13 *year if the taxpayer’s taxable excess (as so*  
14 *defined) were equal to the amount excluded*  
15 *under subsection (a) for such taxable year.*

16 *“(2) SPECIAL RULES.—*

17 *“(A) REGULAR TAX.—In applying section*  
18 *1(h) for purposes of determining the tax under*  
19 *paragraph (1)(A)(i) for any taxable year in*  
20 *which, without regard to this subsection, the tax-*  
21 *payer’s net capital gain exceeds taxable income*  
22 *(hereafter in this subparagraph referred to as the*  
23 *capital gain excess)—*

24 *“(i) the taxpayer’s net capital gain*  
25 *(determined without regard to section*

1           1(h)(11)) shall be reduced (but not below  
2           zero) by such capital gain excess,

3           “(ii) the taxpayer’s qualified dividend  
4           income shall be reduced by so much of such  
5           capital gain excess as exceeds the taxpayer’s  
6           net capital gain (determined without regard  
7           to section 1(h)(11) and the reduction under  
8           clause (i)), and

9           “(iii) adjusted net capital gain,  
10          unrecaptured section 1250 gain, and 28-  
11          percent rate gain shall each be determined  
12          after increasing the amount described in  
13          section 1(h)(4)(B) by such capital gain ex-  
14          cess.

15          “(B) ALTERNATIVE MINIMUM TAX.—In ap-  
16          plying section 55(b)(3) for purposes of deter-  
17          mining the tax under paragraph (1)(B)(i) for  
18          any taxable year in which, without regard to  
19          this subsection, the taxpayer’s net capital gain  
20          exceeds the taxable excess (as defined in section  
21          55(b)(1)(A)(i))—

22                 “(i) the rules of subparagraph (A)  
23                 shall apply, except that such subparagraph  
24                 shall be applied by substituting ‘the taxable

1           *excess (as defined in section*  
2           *55(b)(1)(A)(ii))’ for ‘taxable income’, and*

3                   *“(ii) the reference in section*  
4           *55(b)(3)(B) to the excess described in section*  
5           *1(h)(1)(B) shall be treated as a reference to*  
6           *such excess as determined under the rules of*  
7           *subparagraph (A) for purposes of deter-*  
8           *mining the tax under paragraph (1)(A)(i).*

9           *“(C) DEFINITIONS.—Terms used in this*  
10          *paragraph which are also used in section 1(h)*  
11          *shall have the respective meanings given such*  
12          *terms by section 1(h), except that in applying*  
13          *subparagraph (B) the adjustments under part VI*  
14          *of subchapter A shall be taken into account.”.*

15          *(d) EFFECTIVE DATE.—*

16                 *(1) IN GENERAL.—Except as otherwise provided*  
17          *in this subsection, the amendments made by this sec-*  
18          *tion shall take effect as if included in the provisions*  
19          *of the Tax Increase Prevention and Reconciliation*  
20          *Act of 2005 to which they relate.*

21                 *(2) MODIFICATION OF ACTIVE BUSINESS DEFINI-*  
22          *TION UNDER SECTION 355.—*

23                    *(A) IN GENERAL.—Except as otherwise pro-*  
24          *vided in this paragraph, the amendments made*

1           by subsection (b) shall apply to distributions  
2           made after May 17, 2006.

3           (B) *TRANSITION RULE.*—*The amendments*  
4           *made by subsection (b) shall not apply to any*  
5           *distribution pursuant to a transaction which*  
6           *is—*

7                     (i) *made pursuant to an agreement*  
8                     *which was binding on May 17, 2006, and*  
9                     *at all times thereafter,*

10                    (ii) *described in a ruling request sub-*  
11                    *mitted to the Internal Revenue Service on*  
12                    *or before such date, or*

13                    (iii) *described on or before such date in*  
14                    *a public announcement or in a filing with*  
15                    *the Securities and Exchange Commission.*

16           (C) *ELECTION OUT OF TRANSITION RULE.*—  
17           *Subparagraph (B) shall not apply if the distrib-*  
18           *uting corporation elects not to have such sub-*  
19           *paragraph apply to distributions of such cor-*  
20           *poration. Any such election, once made, shall be*  
21           *irrevocable.*

22           (D) *SPECIAL RULE FOR CERTAIN PRE-EN-*  
23           *ACTMENT DISTRIBUTIONS.*—*For purposes of de-*  
24           *termining the continued qualification under sec-*  
25           *tion 355(b)(2)(A) of the Internal Revenue Code*

1           of 1986 of distributions made on or before May  
2           17, 2006, as a result of an acquisition, disposi-  
3           tion, or other restructuring after such date, such  
4           distribution shall be treated as made on the date  
5           of such acquisition, disposition, or restructuring  
6           for purposes of applying subparagraphs (A)  
7           through (C) of this paragraph. The preceding  
8           sentence shall only apply with respect to the cor-  
9           poration that undertakes such acquisition, dis-  
10          position, or other restructuring, and only if such  
11          application results in continued qualification  
12          under section 355(b)(2)(A) of such Code.

13           (3) *AMENDMENT RELATED TO SECTION 515 OF*  
14          *THE ACT.*—The amendment made by subsection (c)  
15          shall apply to taxable years beginning after December  
16          31, 2006.

17 **SEC. 305. AMENDMENTS RELATED TO THE SAFE, ACCOUNT-**  
18                           **ABLE, FLEXIBLE, EFFICIENT TRANSPOR-**  
19                           **TATION EQUITY ACT: A LEGACY FOR USERS.**

20           (a) *AMENDMENTS RELATED TO SECTION 11113 OF*  
21 *THE ACT.*—

22                   (1) *Paragraph (3) of section 6427(i) is*  
23                   *amended—*

24                           (A) *by inserting “or under subsection (e)(2)*  
25                           *by any person with respect to an alternative fuel*

1           *(as defined in section 6426(d)(2))*” after “section  
2           6426” in subparagraph (A),

3           (B) by inserting “or (e)(2)” after “sub-  
4           section (e)(1)” in subparagraphs (A)(i) and (B),  
5           and

6           (C) by striking “ALCOHOL FUEL AND BIO-  
7           DIESEL MIXTURE CREDIT” and inserting “MIX-  
8           TURE CREDITS AND THE ALTERNATIVE FUEL  
9           CREDIT” in the heading thereof.

10          (2) Subparagraph (F) of section 6426(d)(2) is  
11          amended by striking “hydrocarbons” and inserting  
12          “fuel”.

13          (3) Section 6426 is amended by adding at the  
14          end the following new subsection:

15          “(h) DENIAL OF DOUBLE BENEFIT.—No credit shall  
16          be determined under subsection (d) or (e) with respect to  
17          any fuel with respect to which credit may be determined  
18          under subsection (b) or (c) or under section 40 or 40A.”.

19          (b) EFFECTIVE DATE.—The amendments made by this  
20          section shall take effect as if included in the provisions of  
21          the SAFETEA-LU to which they relate.

1 **SEC. 306. AMENDMENTS RELATED TO THE ENERGY POLICY**

2 **ACT OF 2005.**

3 (a) *AMENDMENT RELATED TO SECTION 1306 OF THE*  
4 *ACT.—Paragraph (2) of section 45J(b) is amended to read*  
5 *as follows:*

6 “(2) *AMOUNT OF NATIONAL LIMITATION.—The*  
7 *aggregate amount of national megawatt capacity lim-*  
8 *itation allocated by the Secretary under paragraph*  
9 *(3) shall not exceed 6,000 megawatts.”.*

10 (b) *AMENDMENTS RELATED TO SECTION 1342 OF THE*  
11 *ACT.—*

12 (1) *So much of subsection (b) of section 30C as*  
13 *precedes paragraph (1) thereof is amended to read as*  
14 *follows:*

15 “(b) *LIMITATION.—The credit allowed under sub-*  
16 *section (a) with respect to all qualified alternative fuel vehi-*  
17 *cle refueling property placed in service by the taxpayer dur-*  
18 *ing the taxable year at a location shall not*  
19 *exceed—”.*

20 (2) *Subsection (c) of section 30C is amended to*  
21 *read as follows:*

22 “(c) *QUALIFIED ALTERNATIVE FUEL VEHICLE RE-*  
23 *FUELING PROPERTY.—For purposes of this section, the term*  
24 *‘qualified alternative fuel vehicle refueling property’ has the*  
25 *same meaning as the term ‘qualified clean-fuel vehicle re-*  
26 *fueling property’ would have under section 179A if—*

1           “(1) paragraph (1) of section 179A(d) did not  
2           apply to property installed on property which is used  
3           as the principal residence (within the meaning of sec-  
4           tion 121) of the taxpayer, and

5           “(2) only the following were treated as clean-  
6           burning fuels for purposes of section 179A(d):

7           “(A) Any fuel at least 85 percent of the vol-  
8           ume of which consists of one or more of the fol-  
9           lowing: ethanol, natural gas, compressed natural  
10          gas, liquified natural gas, liquefied petroleum  
11          gas, or hydrogen.

12          “(B) Any mixture—

13               “(i) which consists of two or more of  
14               the following: biodiesel (as defined in section  
15               40A(d)(1)), diesel fuel (as defined in section  
16               4083(a)(3)), or kerosene, and

17               “(ii) at least 20 percent of the volume  
18               of which consists of biodiesel (as so defined)  
19               determined without regard to any kerosene  
20               in such mixture.”.

21          (c) AMENDMENTS RELATED TO SECTION 1351 OF THE  
22          ACT.—

23               (1) Paragraph (3) of section 41(a) is amended  
24               by inserting “for energy research” before the period at  
25               the end.



1           (2) Paragraph (6) of section 41(f) is amended by  
2 adding at the end the following new subparagraph:

3           “(E) *ENERGY RESEARCH*.—The term ‘en-  
4           ergy research’ does not include any research  
5           which is not qualified research.”.

6           (d) *AMENDMENTS RELATED TO SECTION 1362 OF THE*  
7 *ACT*.—

8           (1)(A) Paragraph (1) of section 4041(d) is  
9 amended by adding at the end the following new sen-  
10 tence: “No tax shall be imposed under the preceding  
11 sentence on the sale or use of any liquid if tax was  
12 imposed with respect to such liquid under section  
13 4081 at the Leaking Underground Storage Tank  
14 Trust Fund financing rate.”.

15           (B) Paragraph (3) of section 4042(b) is amended  
16 to read as follows:

17           “(3) *EXCEPTION FOR FUEL ON WHICH LEAKING*  
18 *UNDERGROUND STORAGE TANK TRUST FUND FINANC-*  
19 *ING RATE SEPARATELY IMPOSED*.—The Leaking Un-  
20 derground Storage Tank Trust Fund financing rate  
21 under paragraph (2)(B) shall not apply to the use of  
22 any fuel if tax was imposed with respect to such fuel  
23 under section 4041(d) or 4081 at the Leaking Under-  
24 ground Storage Tank Trust Fund financing rate.”.

1           (C) *Notwithstanding section 6430 of the Internal*  
2           *Revenue Code of 1986, a refund, credit, or payment*  
3           *may be made under subchapter B of chapter 65 of*  
4           *such Code for taxes imposed with respect to any liq-*  
5           *uid after September 30, 2005, and before the date of*  
6           *the enactment of this Act under section 4041(d)(1) or*  
7           *4042 of such Code at the Leaking Underground Stor-*  
8           *age Tank Trust Fund financing rate to the extent*  
9           *that tax was imposed with respect to such liquid*  
10           *under section 4081 at the Leaking Underground Stor-*  
11           *age Tank Trust Fund financing rate.*

12           (2)(A) *Paragraph (5) of section 4041(d) is*  
13           *amended—*

14                   (i) *by striking “(other than with respect to*  
15                   *any sale for export under paragraph (3) there-*  
16                   *of)”, and*

17                   (ii) *by adding at the end the following new*  
18                   *sentence: “The preceding sentence shall not apply*  
19                   *with respect to subsection (g)(3) and so much of*  
20                   *subsection (g)(1) as relates to vessels (within the*  
21                   *meaning of section 4221(d)(3)) employed in for-*  
22                   *oreign trade or trade between the United States*  
23                   *and any of its possessions.”.*

24           (B) *Section 4082 is amended—*

1           (i) by striking “(other than such tax at the  
2           Leaking Underground Storage Tank Trust Fund  
3           financing rate imposed in all cases other than  
4           for export)” in subsection (a), and

5           (ii) by redesignating subsections (f) and (g)  
6           as subsections (g) and (h), respectively, and by  
7           inserting after subsection (e) the following new  
8           subsection:

9           “(f) *EXCEPTION FOR LEAKING UNDERGROUND STOR-*  
10 *AGE TANK TRUST FUND FINANCING RATE.—*

11           “(1) *IN GENERAL.—*Subsection (a) shall not  
12           apply to the tax imposed under section 4081 at the  
13           Leaking Underground Storage Tank Trust Fund fi-  
14           nancing rate.

15           “(2) *EXCEPTION FOR EXPORT, ETC.—*Paragraph  
16           (1) shall not apply with respect to any fuel if the Sec-  
17           retary determines that such fuel is destined for export  
18           or for use by the purchaser as supplies for vessels  
19           (within the meaning of section 4221(d)(3)) employed  
20           in foreign trade or trade between the United States  
21           and any of its possessions.”.

22           (C) Subsection (e) of section 4082 is amended—

23           (i) by striking “an aircraft, the rate of tax  
24           under section 4081(a)(2)(A)(iii) shall be zero.”  
25           and inserting “an aircraft—

1           “(1) the rate of tax under section  
2           4081(a)(2)(A)(iii) shall be zero, and

3           “(2) if such aircraft is employed in foreign trade  
4           or trade between the United States and any of its pos-  
5           sessions, the increase in such rate under section  
6           4081(a)(2)(B) shall be zero.”; and

7           (ii) by moving the last sentence flush with  
8           the margin of such subsection (following the  
9           paragraph (2) added by clause (i)).

10          (D) Section 6430 is amended to read as follows:

11       **“SEC. 6430. TREATMENT OF TAX IMPOSED AT LEAKING UN-**  
12                       **DERGROUND STORAGE TANK TRUST FUND FI-**  
13                       **NANCING RATE.**

14          “No refunds, credits, or payments shall be made under  
15       this subchapter for any tax imposed at the Leaking Under-  
16       ground Storage Tank Trust Fund financing rate, except in  
17       the case of fuels—

18           “(1) which are exempt from tax under section  
19           4081(a) by reason of section 4082(f)(2),

20           “(2) which are exempt from tax under section  
21           4041(d) by reason of the last sentence of paragraph  
22           (5) thereof, or

23           “(3) with respect to which the rate increase  
24           under section 4081(a)(2)(B) is zero by reason of sec-  
25           tion 4082(e)(2).”.

1           (3) *Paragraph (5) of section 4041(d) is amended*  
2 *by inserting “(b)(1)(A),” after “subsections”.*

3           (e) *EFFECTIVE DATE.—*

4           (1) *IN GENERAL.—Except as otherwise provided*  
5 *in this subsection, the amendments made by this sec-*  
6 *tion shall take effect as if included in the provisions*  
7 *of the Energy Policy Act of 2005 to which they relate.*

8           (2) *NONAPPLICATION OF EXEMPTION FOR OFF-*  
9 *HIGHWAY BUSINESS USE.—The amendment made by*  
10 *subsection (d)(3) shall apply to fuel sold for use or*  
11 *used after the date of the enactment of this Act.*

12           (3) *AMENDMENT MADE BY THE SAFETEA-LU.—*  
13 *The amendment made by subsection (d)(2)(C)(ii)*  
14 *shall take effect as if included in section 11161 of the*  
15 *SAFETEA-LU.*

16 **SEC. 307. AMENDMENTS RELATED TO THE AMERICAN JOBS**  
17 **CREATION ACT OF 2004.**

18           (a) *AMENDMENTS RELATED TO SECTION 339 OF THE*  
19 *ACT.—*

20           (1)(A) *Section 45H is amended by striking sub-*  
21 *section (d) and by redesignating subsections (e), (f),*  
22 *and (g) as subsections (d), (e), and (f), respectively.*

23           (B) *Subsection (d) of section 280C is amended to*  
24 *read as follows:*

1       “(d) *CREDIT FOR LOW SULFUR DIESEL FUEL PRO-*  
2 *DUCTION.—The deductions otherwise allowed under this*  
3 *chapter for the taxable year shall be reduced by the amount*  
4 *of the credit determined for the taxable year under section*  
5 *45H(a).”.*

6           (C) *Subsection (a) of section 1016 is amended by*  
7 *striking paragraph (31) and by redesignating para-*  
8 *graphs (32) through (37) as paragraphs (31) through*  
9 *(36), respectively.*

10           (2)(A) *Section 45H, as amended by paragraph*  
11 *(1), is amended by adding at the end the following*  
12 *new subsection:*

13       “(g) *ELECTION TO NOT TAKE CREDIT.—No credit*  
14 *shall be determined under subsection (a) for the taxable year*  
15 *if the taxpayer elects not to have subsection (a) apply to*  
16 *such taxable year.”.*

17           (B) *Subsection (m) of section 6501 is amended*  
18 *by inserting “45H(g),” after “45C(d)(4),”.*

19           (3)(A) *Subsections (b)(1)(A), (c)(2), (e)(1), and*  
20 *(e)(2) of section 45H (as amended by paragraph (1))*  
21 *and section 179B(a) are each amended by striking*  
22 *“qualified capital costs” and inserting “qualified*  
23 *costs”.*

24           (B) *The heading of paragraph (2) of section*  
25 *45H(c) is amended by striking “CAPITAL”.*

1           (C) Subsection (a) of section 179B is amended  
2           by inserting “and which are properly chargeable to  
3           capital account” before the period at the end.

4           (b) AMENDMENTS RELATED TO SECTION 710 OF THE  
5           ACT.—

6           (1) Clause (ii) of section 45(c)(3)(A) is amended  
7           by striking “which is segregated from other waste ma-  
8           terials and”.

9           (2) Subparagraph (B) of section 45(d)(2) is  
10          amended by inserting “and” at the end of clause (i),  
11          by striking clause (ii), and by redesignating clause  
12          (iii) as clause (ii).

13          (c) AMENDMENTS RELATED TO SECTION 848 OF THE  
14          ACT.—

15          (1) Paragraph (2) of section 470(c) is amended  
16          to read as follows:

17                 “(2) TAX-EXEMPT USE PROPERTY.—

18                         “(A) IN GENERAL.—The term ‘tax-exempt  
19                         use property’ has the meaning given to such term  
20                         by section 168(h), except that such section shall  
21                         be applied—

22                                 “(i) without regard to paragraphs  
23                                 (1)(C) and (3) thereof, and

24                                 “(ii) as if section 197 intangible prop-  
25                                 erty (as defined in section 197), and prop-

1           erty described in paragraph (1)(B) or (2) of  
2           section 167(f), were tangible property.

3           “(B) EXCEPTION FOR PARTNERSHIPS.—  
4           Such term shall not include any property which  
5           would (but for this subparagraph) be tax-exempt  
6           use property solely by reason of section  
7           168(h)(6).

8           “(C) CROSS REFERENCE.—For treatment of  
9           partnerships as leases to which section 168(h)  
10          applies, see section 7701(e).”

11          (2) Subparagraph (A) of section 470(d)(1) is  
12          amended by striking “(at any time during the lease  
13          term)” and inserting “(at all times during the lease  
14          term)”.

15          (d) AMENDMENTS RELATED TO SECTION 888 OF THE  
16          ACT.—

17          (1) Subparagraph (A) of section 1092(a)(2) is  
18          amended by striking “and” at the end of clause (ii),  
19          by redesignating clause (iii) as clause (iv), and by in-  
20          serting after clause (ii) the following new clause:

21                  “(iii) if the application of clause (ii)  
22                  does not result in an increase in the basis  
23                  of any offsetting position in the identified  
24                  straddle, the basis of each of the offsetting



1           positions in the identified straddle shall be  
2           increased in a manner which—

3                   “(I) is reasonable, consistent with  
4                   the purposes of this paragraph, and  
5                   consistently applied by the taxpayer,  
6                   and

7                   “(II) results in an aggregate in-  
8                   crease in the basis of such offsetting po-  
9                   sitions which is equal to the loss de-  
10                  scribed in clause (i), and”.

11           (2)(A) Subparagraph (B) of section 1092(a)(2)  
12           is amended by adding at the end the following flush  
13           sentence:

14                   “A straddle shall be treated as clearly identified  
15                   for purposes of clause (i) only if such identifica-  
16                   tion includes an identification of the positions in  
17                   the straddle which are offsetting with respect  
18                   other positions in the straddle.”.

19           (B) Subparagraph (A) of section 1092(a)(2) is  
20           amended—

21                   (i) by striking “identified positions” in  
22                   clause (i) and inserting “positions”,

23                   (ii) by striking “identified position” in  
24                   clause (ii) and inserting “position”, and

1           (iii) by striking “identified offsetting posi-  
2           tions” in clause (ii) and inserting “offsetting po-  
3           sitions”.

4           (C) Subparagraph (B) of section 1092(a)(3) is  
5           amended by striking “identified offsetting position”  
6           and inserting “offsetting position”.

7           (3) Paragraph (2) of section 1092(a) is amended  
8           by redesignating subparagraph (C) as subparagraph  
9           (D) and inserting after subparagraph (B) the fol-  
10          lowing new subparagraph:

11           “(C) APPLICATION TO LIABILITIES AND OB-  
12          LIGATIONS.—Except as otherwise provided by the  
13          Secretary, rules similar to the rules of clauses  
14          (ii) and (iii) of subparagraph (A) shall apply  
15          for purposes of this paragraph with respect to  
16          any position which is, or has been, a liability or  
17          obligation.”.

18          (4) Subparagraph (D) of section 1092(a)(2), as  
19          redesignated by paragraph (3), is amended by insert-  
20          ing “the rules for the application of this section to a  
21          position which is or has been a liability or obligation,  
22          methods of loss allocation which satisfy the require-  
23          ments of subparagraph (A)(iii),” before “and the or-  
24          dering rules”.

25          (e) EFFECTIVE DATE.—

1           (1) *IN GENERAL.*—*Except as otherwise provided*  
2 *in this subsection, the amendments made by this sec-*  
3 *tion shall take effect as if included in the provisions*  
4 *of the American Jobs Creation Act of 2004 to which*  
5 *they relate.*

6           (2) *IDENTIFICATION REQUIREMENT OF AMEND-*  
7 *MENT RELATED TO SECTION 888 OF THE AMERICAN*  
8 *JOBS CREATION ACT OF 2004.*—*The amendment made*  
9 *by subsection (d)(2)(A) shall apply to straddles ac-*  
10 *quired after the date of the enactment of this Act.*

11 **SEC. 308. AMENDMENTS RELATED TO THE ECONOMIC**  
12 **GROWTH AND TAX RELIEF RECONCILIATION**  
13 **ACT OF 2001.**

14           (a) *AMENDMENTS RELATED TO SECTION 617 OF THE*  
15 *ACT.*—

16           (1) *Subclause (II) of section 402(g)(7)(A)(ii) is*  
17 *amended by striking “for prior taxable years” and*  
18 *inserting “permitted for prior taxable years by reason*  
19 *of this paragraph”.*

20           (2) *Subparagraph (A) of section 3121(v)(1) is*  
21 *amended by inserting “or consisting of designated*  
22 *Roth contributions (as defined in section 402A(c))”*  
23 *before the comma at the end.*

24           (b) *EFFECTIVE DATE.*—*The amendments made by this*  
25 *section shall take effect as if included in the provisions of*

1 *the Economic Growth and Tax Relief Reconciliation Act*  
2 *of 2001 to which they relate.*

3 **SEC. 309. AMENDMENTS RELATED TO THE TAX RELIEF EX-**  
4 **TENSION ACT OF 1999.**

5 (a) *AMENDMENT RELATED TO SECTION 507 OF THE*  
6 *ACT.—Clause (i) of section 45(e)(7)(A) is amended by strik-*  
7 *ing “placed in service by the taxpayer” and inserting*  
8 *“originally placed in service”.*

9 (b) *AMENDMENT RELATED TO SECTION 542 OF THE*  
10 *ACT.—Clause (ii) of section 856(d)(9)(D) is amended to*  
11 *read as follows:*

12 “(ii) *LODGING FACILITY.—The term*  
13 *‘lodging facility’ means a—*  
14 *“(I) hotel,*  
15 *“(II) motel, or*  
16 *“(III) other establishment more*  
17 *than one-half of the dwelling units in*  
18 *which are used on a transient basis.”.*

19 (c) *EFFECTIVE DATE.—The amendments made by this*  
20 *section shall take effect as if included in the provisions of*  
21 *the Tax Relief Extension Act of 1999 to which they relate.*

1 **SEC. 310. AMENDMENT RELATED TO THE INTERNAL REV-**  
2 **ENUE SERVICE RESTRUCTURING AND RE-**  
3 **FORM ACT OF 1998.**

4 (a) *AMENDMENT RELATED TO SECTION 3509 OF THE*  
5 *ACT.*—Paragraph (3) of section 6110(i) is amended by in-  
6 serting “and related background file documents” after  
7 “Chief Counsel advice” in the matter preceding subpara-  
8 graph (A).

9 (b) *EFFECTIVE DATE.*—The amendment made by this  
10 section shall take effect as if included in the provision of  
11 the Internal Revenue Service Restructuring and Reform Act  
12 of 1998 to which it relates.

13 **SEC. 311. CLERICAL CORRECTIONS.**

14 (a) *IN GENERAL.*—

15 (1) Paragraph (5) of section 21(e) is amended by  
16 striking “section 152(e)(3)(A)” in the flush matter  
17 after subparagraph (B) and inserting “section  
18 152(e)(4)(A)”.

19 (2) Paragraph (3) of section 25C(c) is amended  
20 by striking “section 3280” and inserting “part 3280”.

21 (3) Paragraph (2) of section 26(b) is amended by  
22 redesignating subparagraphs (S) and (T) as subpara-  
23 graphs (U) and (V), respectively, and by inserting  
24 after subparagraph (R) the following new subpara-  
25 graphs:

1           “(S)           sections           106(e)(3)(A)(ii),  
2           223(b)(8)(B)(i)(II), and 408(d)(9)(D)(i)(II) (re-  
3           lating to certain failures to maintain high de-  
4           ductible health plan coverage),

5           “(T) section 170(o)(3)(B) (relating to recap-  
6           ture of certain deductions for fractional gifts),”.

7           (4) Subsection (a) of section 34 is amended—

8           (A) in paragraph (1), by striking “with re-  
9           spect to gasoline used during the taxable year on  
10          a farm for farming purposes”,

11          (B) in paragraph (2), by striking “with re-  
12          spect to gasoline used during the taxable year  
13          (A) otherwise than as a fuel in a highway vehicle  
14          or (B) in vehicles while engaged in furnishing  
15          certain public passenger land transportation  
16          service”, and

17          (C) in paragraph (3), by striking “with re-  
18          spect to fuels used for nontaxable purposes or re-  
19          sold during the taxable year”.

20          (5) Paragraph (2) of section 35(d) is amended—

21          (A) by striking “paragraph (2) or (4) of”,  
22          and

23          (B) by striking “(within the meaning of sec-  
24          tion 152(e)(1))” and inserting “(as defined in  
25          section 152(e)(4)(A))”.

1           (6) *Subsection (b) of section 38 is amended—*

2                   (A) *by striking “and” each place it appears*  
3           *at the end of any paragraph,*

4                   (B) *by striking “plus” each place it appears*  
5           *at the end of any paragraph, and*

6                   (C) *by inserting “plus” at the end of para-*  
7           *graph (30).*

8           (7) *Paragraphs (2) and (3) of section 45L(c) are*  
9           *each amended by striking “section 3280” and insert-*  
10          *ing “part 3280”.*

11          (8) *Subsection (c) of section 48 is amended by*  
12          *striking “subsection” in the text preceding paragraph*  
13          *(1) and inserting “section”.*

14          (9) *Paragraphs (1)(B) and (2)(B) of section*  
15          *48(c) are each amended by striking “paragraph (1)”*  
16          *and inserting “subsection (a)”.*

17          (10) *Clause (ii) of section 48A(d)(4)(B) is*  
18          *amended by striking “subsection” both places it ap-*  
19          *pears.*

20          (11) *The last sentence of section 125(b)(2) is*  
21          *amended by striking “last sentence” and inserting*  
22          *“second sentence”.*

23          (12) *Subclause (II) of section 167(g)(8)(C)(ii) is*  
24          *amended by striking “section 263A(j)(2)” and insert-*  
25          *ing “section 263A(i)(2)”.*

1           (13)(A) Clause (vii) of section 170(b)(1)(A) is  
2 amended by striking “subparagraph (E)” and insert-  
3 ing “subparagraph (F)”.

4           (B) Clause (ii) of section 170(e)(1)(B) is amend-  
5 ed by striking “subsection (b)(1)(E)” and inserting  
6 “subsection (b)(1)(F)”.

7           (C) Clause (i) of section 1400S(a)(2)(A) is  
8 amended by striking “subparagraph (F)” and insert-  
9 ing “subparagraph (G)”.

10          (D) Subparagraph (A) of section 4942(i)(1) is  
11 amended by striking “section 170(b)(1)(E)(ii)” and  
12 inserting “section 170(b)(1)(F)(ii)”.

13          (14) Subclause (II) of section 170(e)(1)(B)(i) is  
14 amended by inserting “, but without regard to clause  
15 (ii) thereof” after “paragraph (7)(C)”.

16          (15)(A) Subparagraph (A) of section 170(o)(1)  
17 and subparagraph (A) of section 2522(e)(1) are each  
18 amended by striking “all interest in the property is”  
19 and inserting “all interests in the property are”.

20          (B) Section 170(o)(3)(A)(i), and section  
21 2522(e)(2)(A)(i) (as redesignated by section  
22 403(d)(2)), are each amended—

23                 (i) by striking “interest” and inserting “in-  
24 terests”, and



1           (ii) by striking “before” and inserting “on  
2           or before”.

3           (16)(A) Subparagraph (C) of section 852(b)(4) is  
4           amended to read as follows:

5           “(C) DETERMINATION OF HOLDING PERI-  
6           ODS.—For purposes of this paragraph, in deter-  
7           mining the period for which the taxpayer has  
8           held any share of stock—

9                   “(i) the rules of paragraphs (3) and  
10                   (4) of section 246(c) shall apply, and

11                   “(ii) there shall not be taken into ac-  
12                   count any day which is more than 6  
13                   months after the date on which such share  
14                   becomes ex-dividend.”.

15           (B) Subparagraph (B) of section 857(b)(8) is  
16           amended to read as follows:

17           “(B) DETERMINATION OF HOLDING PERI-  
18           ODS.—For purposes of this paragraph, in deter-  
19           mining the period for which the taxpayer has  
20           held any share of stock or beneficial interest—

21                   “(i) the rules of paragraphs (3) and  
22                   (4) of section 246(c) shall apply, and

23                   “(ii) there shall not be taken into ac-  
24                   count any day which is more than 6

1                   *months after the date on which such share*  
2                   *or interest becomes ex-dividend.”.*

3                   *(17) Paragraph (2) of section 856(l) is amended*  
4                   *by striking the last sentence and inserting the fol-*  
5                   *lowing: “For purposes of subparagraph (B), securities*  
6                   *described in subsection (m)(2)(A) shall not be taken*  
7                   *into account.”.*

8                   *(18) Subparagraph (F) of section 954(c)(1) is*  
9                   *amended to read as follows:*

10                    “*(F) INCOME FROM NOTIONAL PRINCIPAL*  
11                    *CONTRACTS.—*

12                    “*(i) IN GENERAL.—Net income from*  
13                    *notional principal contracts.*

14                    “*(ii) COORDINATION WITH OTHER CAT-*  
15                    *EGORIES OF FOREIGN PERSONAL HOLDING*  
16                    *COMPANY INCOME.—Any item of income,*  
17                    *gain, deduction, or loss from a notional*  
18                    *principal contract entered into for purposes*  
19                    *of hedging any item described in any pre-*  
20                    *ceding subparagraph shall not be taken into*  
21                    *account for purposes of this subparagraph*  
22                    *but shall be taken into account under such*  
23                    *other subparagraph.”.*

1           (19) Paragraph (1) of section 954(c) is amended  
2           by redesignating subparagraph (I) as subparagraph  
3           (H).

4           (20) Paragraph (33) of section 1016(a), as reded-  
5           signated by section 407(a)(1)(C), is amended by strik-  
6           ing “section 25C(e)” and inserting “section 25C(f)”.

7           (21) Paragraph (36) of section 1016(a), as reded-  
8           signated by section 407(a)(1)(C), is amended by strik-  
9           ing “section 30C(f)” and inserting “section  
10          30C(e)(1)”.

11          (22) Subparagraph (G) of section 1260(c)(2) is  
12          amended by adding “and” at the end.

13          (23)(A) Section 1297 is amended by striking  
14          subsection (d) and by redesignating subsections (e)  
15          and (f) as subsections (d) and (e), respectively.

16          (B) Subparagraph (G) of section 1260(c)(2) is  
17          amended by striking “subsection (e)” and inserting  
18          “subsection (d)”.

19          (C) Subparagraph (B) of section 1298(a)(2) is  
20          amended by striking “Section 1297(e)” and inserting  
21          “Section 1297(d)”.

22          (24) Paragraph (1) of section 1362(f) is  
23          amended—

1           (A) by striking “, section 1361(b)(3)(B)(ii),  
2           or section 1361(c)(1)(A)(ii)” and inserting “or  
3           section 1361(b)(3)(B)(ii)”, and

4           (B) by striking “, section 1361(b)(3)(C), or  
5           section 1361(c)(1)(D)(iii)” in subparagraph (B)  
6           and inserting “or section 1361(b)(3)(C)”.

7           (25) Paragraph (2) of section 1400O is amended  
8           by striking “under of” and inserting “under”.

9           (26) The table of sections for part II of sub-  
10          chapter Y of chapter 1 is amended by adding at the  
11          end the following new item:

“Sec. 1400T. Special rules for mortgage revenue bonds.”.

12          (27) Subsection (b) of section 4082 is amended  
13          to read as follows:

14          “(b) NONTAXABLE USE.—For purposes of this section,  
15          the term ‘nontaxable use’ means—

16               “(1) any use which is exempt from the tax im-  
17               posed by section 4041(a)(1) other than by reason of  
18               a prior imposition of tax,

19               “(2) any use in a train, and

20               “(3) any use described in section  
21               4041(a)(1)(C)(iii)(II).

22          The term ‘nontaxable use’ does not include the use of ker-  
23          osene in an aircraft and such term shall not include any  
24          use described in section 6421(e)(2)(C).”.

1           (28) Paragraph (4) of section 4101(a) (relating  
2 to registration in event of change of ownership) is re-  
3 designated as paragraph (5).

4           (29) Paragraph (6) of section 4965(c) is amend-  
5 ed by striking “section 4457(e)(1)(A)” and inserting  
6 “section 457(e)(1)(A)”.

7           (30) Subpart C of part II of subchapter A of  
8 chapter 51 is amended by redesignating section 5432  
9 (relating to recordkeeping by wholesale dealers) as sec-  
10 tion 5121.

11           (31) Paragraph (2) of section 5732(c), as redес-  
12 igned by section 11125(b)(20)(A) of the SAFETEA-  
13 LU, is amended by striking “this subpart” and in-  
14 serting “this subchapter”.

15           (32) Subsection (b) of section 6046 is amended—

16           (A) by striking “subsection (a)(1)” and in-  
17 serting “subsection (a)(1)(A)”, and

18           (B) by striking “paragraph (2) or (3) of  
19 subsection (a)” and inserting “subparagraph (B)  
20 or (C) of subsection (a)(1)”.

21           (33)(A) Subparagraph (A) of section 6103(b)(5)  
22 is amended by striking “the Canal Zone.”.

23           (B) Section 7651 is amended by striking para-  
24 graph (4) and by redesignating paragraph (5) as  
25 paragraph (4).

1           (34) *Subparagraph (A) of section 6211(b)(4) is*  
2 *amended by striking “and 34” and inserting “34,*  
3 *and 35”.*

4           (35) *Subparagraphs (A) and (B) of section*  
5 *6230(a)(3) are each amended by striking “section*  
6 *6013(e)” and inserting “section 6015”.*

7           (36) *Paragraph (3) of section 6427(e) (relating*  
8 *to termination), as added by section 11113 of the*  
9 *SAFETEA-LU, is redesignated as paragraph (5) and*  
10 *moved after paragraph (4).*

11           (37) *Clause (ii) of section 6427(l)(4)(A) is*  
12 *amended by striking “section 4081(a)(2)(iii)” and in-*  
13 *serting “section 4081(a)(2)(A)(iii)”.*

14           (38)(A) *Section 6427, as amended by section*  
15 *1343(b)(1) of the Energy Policy Act of 2005, is*  
16 *amended by striking subsection (p) (relating to gas-*  
17 *ohol used in noncommercial aviation) and redesign-*  
18 *ating subsection (q) as subsection (p).*

19           (B) *The Internal Revenue Code of 1986 shall be*  
20 *applied and administered as if the amendments made*  
21 *by paragraph (2) of section 11151(a) of the*  
22 *SAFETEA-LU had never been enacted.*

23           (39) *Subsection (a) of section 6695A is amended*  
24 *by striking “then such person” in paragraph (2) and*  
25 *inserting the following:*

1 *“then such person”.*

2 *(40) Subparagraph (C) of section 6707A(e)(2) is*  
3 *amended by striking “section 6662A(e)(2)(C)” and*  
4 *inserting “section 6662A(e)(2)(B)”.*

5 *(41)(A) Paragraph (3) of section 9002 is amend-*  
6 *ed by striking “section 309(a)(1)” and inserting “sec-*  
7 *tion 306(a)(1)”.*

8 *(B) Paragraph (1) of section 9004(a) is amended*  
9 *by striking “section 320(b)(1)(B)” and inserting “sec-*  
10 *tion 315(b)(1)(B)”.*

11 *(C) Paragraph (3) of section 9032 is amended by*  
12 *striking “section 309(a)(1)” and inserting “section*  
13 *306(a)(1)”.*

14 *(D) Subsection (b) of section 9034 is amended by*  
15 *striking “section 320(b)(1)(A)” and inserting “section*  
16 *315(b)(1)(A)”.*

17 *(42) Section 9006 is amended by striking*  
18 *“Comptroller General” each place it appears and in-*  
19 *serting “Commission”.*

20 *(43) Subsection (c) of section 9503 is amended*  
21 *by redesignating paragraph (7) (relating to transfers*  
22 *from the trust fund for certain aviation fuels taxes)*  
23 *as paragraph (6).*

24 *(44) Paragraph (1) of section 1301(g) of the En-*  
25 *ergy Policy Act of 2005 is amended by striking “shall*

1 *take effect of the date of the enactment” and inserting*  
2 *“shall take effect on the date of the enactment”.*

3 *(45) The Internal Revenue Code of 1986 shall be*  
4 *applied and administered as if the amendments made*  
5 *by section 1(a) of Public Law 109–433 had never*  
6 *been enacted.*

7 *(b) CLERICAL AMENDMENTS RELATED TO THE TAX*  
8 *RELIEF AND HEALTH CARE ACT OF 2006.—*

9 *(1) AMENDMENT RELATED TO SECTION 209 OF*  
10 *DIVISION A OF THE ACT.—Paragraph (3) of section*  
11 *168(l) is amended by striking “enzymatic”.*

12 *(2) AMENDMENTS RELATED TO SECTION 419 OF*  
13 *DIVISION A OF THE ACT.—*

14 *(A) Clause (iv) of section 6724(d)(1)(B) is*  
15 *amended by inserting “or (h)(1)” after “section*  
16 *6050H(a)”.*

17 *(B) Subparagraph (K) of section 6724(d)(2)*  
18 *is amended by inserting “or (h)(2)” after “sec-*  
19 *tion 6050H(d)”.*

20 *(3) EFFECTIVE DATE.—The amendments made*  
21 *by this subsection shall take effect as if included in*  
22 *the provision of the Tax Relief and Health Care Act*  
23 *of 2006 to which they relate.*

24 *(c) CLERICAL AMENDMENTS RELATED TO THE GULF*  
25 *OPPORTUNITY ZONE ACT OF 2005.—*



1           (1) *AMENDMENTS RELATED TO SECTION 402 OF*  
2     *THE ACT.*—Subparagraph (B) of section 24(d)(1) is  
3     *amended—*

4           (A) by striking “the excess (if any) of” in  
5     the matter preceding clause (i) and inserting  
6     “the greater of”, and

7           (B) by striking “section” in clause (ii)(II)  
8     and inserting “section 32”.

9           (2) *EFFECTIVE DATE.*—The amendments made  
10    by this subsection shall take effect as if included in  
11    the provisions of the Gulf Opportunity Zone Act of  
12    2005 to which they relate.

13       (d) *CLERICAL AMENDMENTS RELATED TO THE SAFE,*  
14    *ACCOUNTABLE, FLEXIBLE, EFFICIENT TRANSPORTATION*  
15    *EQUITY ACT: A LEGACY FOR USERS.*—

16           (1) *AMENDMENTS RELATED TO SECTION 11163 OF*  
17    *THE ACT.*—Subparagraph (C) of section 6416(a)(4) is  
18    *amended—*

19           (A) by striking “ultimate vendor” and all  
20    that follows through “has certified” and insert-  
21    ing “ultimate vendor or credit card issuer has  
22    certified”, and

23           (B) by striking “all ultimate purchasers of  
24    the vendor” and all that follows through “are

1           *certified” and inserting “all ultimate purchasers*  
2           *of the vendor or credit card issuer are certified”.*

3           (2) *EFFECTIVE DATE.—The amendments made*  
4           *by this subsection shall take effect as if included in*  
5           *the provisions of the Safe, Accountable, Flexible, Effi-*  
6           *cient Transportation Equity Act: A Legacy for Users*  
7           *to which they relate.*

8           (e) *CLERICAL AMENDMENTS RELATED TO THE EN-*  
9           *ERGY POLICY ACT OF 2005.—*

10           (1) *AMENDMENT RELATED TO SECTION 1344 OF*  
11           *THE ACT.—Subparagraph (B) of section 6427(e)(5),*  
12           *as redesignated by subsection (a)(36), is amended by*  
13           *striking “2006” and inserting “2008”.*

14           (2) *AMENDMENTS RELATED TO SECTION 1351 OF*  
15           *THE ACT.—Subparagraphs (A)(ii) and (B)(ii) of sec-*  
16           *tion 41(f)(1) are each amended by striking “qualified*  
17           *research expenses and basic research payments” and*  
18           *inserting “qualified research expenses, basic research*  
19           *payments, and amounts paid or incurred to energy*  
20           *research consortiums,”.*

21           (3) *EFFECTIVE DATE.—The amendments made*  
22           *by this subsection shall take effect as if included in*  
23           *the provisions of the Energy Policy Act of 2005 to*  
24           *which they relate.*

1       (f) *CLERICAL AMENDMENTS RELATED TO THE AMER-*  
2 *ICAN JOBS CREATION ACT OF 2004.*—

3           (1) *AMENDMENT RELATED TO SECTION 301 OF*  
4 *THE ACT.*—Section 9502 is amended by striking sub-  
5 *section (e) and redesignating subsection (f) as sub-*  
6 *section (e).*

7           (2) *AMENDMENT RELATED TO SECTION 413 OF*  
8 *THE ACT.*—Subsection (b) of section 1298 is amended  
9 *by striking paragraph (7) and by redesignating para-*  
10 *graphs (8) and (9) as paragraphs (7) and (8), respec-*  
11 *tively.*

12           (3) *AMENDMENT RELATED TO SECTION 895 OF*  
13 *THE ACT.*—Clause (iv) of section 904(f)(3)(D) is  
14 *amended by striking “a controlled group” and insert-*  
15 *ing “an affiliated group”.*

16           (4) *EFFECTIVE DATE.*—The amendments made  
17 *by this subsection shall take effect as if included in*  
18 *the provisions of the American Jobs Creation Act of*  
19 *2004 to which they relate.*

20       (g) *CLERICAL AMENDMENTS RELATED TO THE FSC*  
21 *REPEAL AND EXTRATERRITORIAL INCOME EXCLUSION ACT*  
22 *OF 2000.*—

23           (1) *Subclause (I) of section 56(g)(4)(C)(ii) is*  
24 *amended by striking “921” and inserting “921 (as in*

1 *effect before its repeal by the FSC Repeal and*  
2 *Extraterritorial Income Exclusion Act of 2000)*”.

3 (2) *Clause (iv) of section 54(g)(4)(C) is amended*  
4 *by striking “a cooperative described in section*  
5 *927(a)(4)” and inserting “an organization to which*  
6 *part I of subchapter T (relating to tax treatment of*  
7 *cooperatives) applies which is engaged in the mar-*  
8 *keting of agricultural or horticultural products”.*

9 (3) *Paragraph (4) of section 245(c) is amended*  
10 *by adding at the end the following new subparagraph:*

11 “(C) *FSC.—The term ‘FSC’ has the mean-*  
12 *ing given such term by section 922.”.*

13 (4) *Subsection (c) of section 245 is amended by*  
14 *inserting at the end the following new paragraph:*

15 “(5) *REFERENCES TO PRIOR LAW.—Any ref-*  
16 *erence in this subsection to section 922, 923, or 927*  
17 *shall be treated as a reference to such section as in*  
18 *effect before its repeal by the FSC Repeal and*  
19 *Extraterritorial Income Exclusion Act of 2000.”.*

20 (5) *Paragraph (4) of section 275(a) is amended*  
21 *by striking “if” and all that follows and inserting “if*  
22 *the taxpayer chooses to take to any extent the benefits*  
23 *of section 901.”.*

1           (6)(A) *Subsection (a) of section 291 is amended*  
2 *by striking paragraph (4) and by redesignating para-*  
3 *graph (5) as paragraph (4).*

4           (B) *Paragraph (1) of section 291(c) is amended*  
5 *by striking “subsection (a)(5)” and inserting “sub-*  
6 *section (a)(4)”.*

7           (7)(A) *Paragraph (4) of section 441(b) is amend-*  
8 *ed by striking “FSC or”.*

9           (B) *Subsection (h) of section 441 is amended—*

10           (i) *by striking “FSC or” each place it ap-*  
11 *pears, and*

12           (ii) *by striking “FSC’S AND” in the heading*  
13 *thereof.*

14           (8) *Subparagraph (B) of section 884(d)(2) is*  
15 *amended by inserting before the comma “(as in effect*  
16 *before their repeal by the FSC Repeal and*  
17 *Extraterritorial Income Exclusion Act of 2000)”.*

18           (9) *Section 901 is amended by striking sub-*  
19 *section (h).*

20           (10) *Clause (v) of section 904(d)(2)(B) is*  
21 *amended—*

22           (A) *by inserting “and” at the end of sub-*  
23 *clause (I), by striking subclause (II), and by re-*  
24 *designating subclause (III) as subclause (II),*

1           (B) by striking “a FSC (or a former FSC)”  
2           in subclause (II) (as so redesignated) and insert-  
3           ing “a former FSC (as defined in section 922)”,  
4           and

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

6           “Any reference in subclause (II) to section  
7           922, 923, or 927 shall be treated as a ref-  
8           erence to such section as in effect before its  
9           repeal by the FSC Repeal and  
10          Extraterritorial Income Exclusion Act of  
11          2000.”.

12          (11) Subsection (b) of section 906 is amended by  
13          striking paragraph (5) and redesignating paragraphs  
14          (6) and (7) as paragraphs (5) and (6), respectively.

15          (12) Subparagraph (B) of section 936(f)(2) is  
16          amended by striking “FSC or”.

17          (13) Section 951 is amended by striking sub-  
18          section (c) and by redesignating subsection (d) as sub-  
19          section (c).

20          (14) Subsection (b) of section 952 is amended by  
21          striking the second sentence.

22          (15)(A) Paragraph (2) of section 956(c) is  
23          amended—

1           *(i) by striking subparagraph (I) and by re-*  
2           *designating subparagraphs (J) through (M) as*  
3           *subparagraphs (I) through (L), respectively, and*

4           *(ii) by striking “subparagraphs (J), (K),*  
5           *and (L)” in the flush sentence at the end and in-*  
6           *serting “subparagraphs (I), (J), and (K)”.*

7           *(B) Clause (ii) of section 954(c)(2)(C) is amend-*  
8           *ed by striking “section 956(c)(2)(J)” and inserting*  
9           *“section 956(c)(2)(I)”.*

10          *(16) Paragraph (1) of section 992(a) is amended*  
11          *by striking subparagraph (E), by inserting “and” at*  
12          *the end of subparagraph (C), and by striking “, and”*  
13          *at the end of subparagraph (D) and inserting a pe-*  
14          *riod.*

15          *(17) Paragraph (5) of section 1248(d) is*  
16          *amended—*

17                *(A) by inserting “(as defined in section*  
18                *922)” after “a FSC”, and*

19                *(B) by adding at the end the following new*  
20                *sentence: “Any reference in this paragraph to*  
21                *section 922, 923, or 927 shall be treated as a ref-*  
22                *erence to such section as in effect before its repeal*  
23                *by the FSC Repeal and Extraterritorial Income*  
24                *Exclusion Act of 2000.”.*

1           (18) *Subparagraph (D) of section 1297(b)(2) is*  
2           *amended by striking “foreign trade income of a FSC*  
3           *or”.*

4           (19)(A) *Paragraph (1) of section 6011(c) is*  
5           *amended by striking “or former DISC or a FSC or*  
6           *former FSC” and inserting “, former DISC, or*  
7           *former FSC (as defined in section 922 as in effect be-*  
8           *fore its repeal by the FSC Repeal and*  
9           *Extraterritorial Income Exclusion Act of 2000)”.*

10           (B) *Subsection (c) of section 6011 is amended by*  
11           *striking “AND FSC’S” in the heading thereof.*

12           (20) *Subsection (c) of section 6072 is amended*  
13           *by striking “a FSC or former FSC” and inserting “a*  
14           *former FSC (as defined in section 922 as in effect be-*  
15           *fore its repeal by the FSC Repeal and*  
16           *Extraterritorial Income Exclusion Act of 2000)”.*

17           (21) *Section 6686 is amended by inserting*  
18           *“FORMER” before “FSC” in the heading thereof.*

19           **TITLE IV—PARITY IN APPLICA-**  
20           **TION OF CERTAIN LIMITS TO**  
21           **MENTAL HEALTH BENEFITS**

22           **SEC. 401. PARITY IN APPLICATION OF CERTAIN LIMITS TO**  
23           **MENTAL HEALTH BENEFITS.**

24           (a) *AMENDMENT TO THE INTERNAL REVENUE CODE*  
25           *OF 1986.—Section 9812(f)(3) of the Internal Revenue Code*



1 of 1986 is amended by striking “2007” and inserting  
2 “2008”.

3 (b) *AMENDMENT TO THE EMPLOYEE RETIREMENT IN-*  
4 *COME SECURITY ACT OF 1974.*—Section 712(f) of the *Em-*  
5 *ployee Retirement Income Security Act of 1974 (29 U.S.C.*  
6 *1185a(f))* is amended by striking “2007” and inserting  
7 “2008”.

8 (c) *AMENDMENT TO THE PUBLIC HEALTH SERVICE*  
9 *ACT.*—Section 2705(f) of the *Public Health Service Act (42*  
10 *U.S.C. 300gg–5(f))* is amended by striking “2007” and in-  
11 *serting “2008”.*

12 (d) *EFFECTIVE DATE.*—*The amendments made by this*  
13 *section shall apply to benefits for services furnished after*  
14 *December 31, 2007.*

Attest:

*Secretary.*

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

**H. R. 3997**

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**SENATE AMENDMENT TO  
HOUSE AMENDMENT TO  
SENATE AMENDMENT**