

114TH CONGRESS  
1ST SESSION

# S. 1795

To amend the Internal Revenue Code of 1986 to provide tax relief for major disasters declared in any of calendar years 2012 through 2015, to make certain tax relief provisions permanent, and for other purposes.

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## IN THE SENATE OF THE UNITED STATES

JULY 16, 2015

Mr. VITTER (for himself, Mr. SCHUMER, Mr. CASSIDY, Mr. MANCHIN, Mrs. CAPITO, Mr. BENNET, Mrs. GILLIBRAND, Mr. BOOKER, and Mr. MENENDEZ) introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to provide tax relief for major disasters declared in any of calendar years 2012 through 2015, to make certain tax relief provisions permanent, and for other purposes.

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

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the  
5 “National Disaster Tax Relief Act of 2015”.

6 (b) TABLE OF CONTENTS.—The table of contents for  
7 this Act is as follows:

Sec. 1. Short title; table of contents.

TITLE I—TAX RELIEF RELATING TO DISASTERS IN 2012, 2013,  
2014, AND 2015

- Sec. 101. Expensing of qualified disaster expenses.
- Sec. 102. Increased limitation on charitable contributions for disaster relief.
- Sec. 103. Losses attributable to disasters in 2012, 2013, 2014, and 2015.
- Sec. 104. Net operating losses attributable to disasters in 2012, 2013, 2014, and 2015.
- Sec. 105. Waiver of certain mortgage revenue bond requirements following 2012, 2013, 2014, and 2015 disasters.
- Sec. 106. Increased expensing and bonus depreciation for qualified disaster assistance property following 2012, 2013, 2014, and 2015 disasters.
- Sec. 107. Increase in new markets tax credit for investments in community development entities serving 2012, 2013, 2014, and 2015 disaster areas.
- Sec. 108. Special rules for use of retirement funds in connection with federally declared disasters in 2012, 2013, 2014, and 2015.
- Sec. 109. Additional exemption for housing qualified disaster displaced individuals.
- Sec. 110. Exclusions of certain cancellations of indebtedness by reason of 2012, 2013, 2014, and 2015 disasters.
- Sec. 111. Special rule for determining earned income of individuals affected by federally declared disasters.
- Sec. 112. Increase in rehabilitation credit for buildings in 2012, 2013, 2014, and 2015 disaster areas.
- Sec. 113. Advanced refundings of certain tax-exempt bonds.
- Sec. 114. Qualified disaster area recovery bonds.
- Sec. 115. Additional low-income housing credit allocations.
- Sec. 116. Facilitation of transfer of water leasing and water by mutual ditch or irrigation companies in disaster areas.

TITLE II—OTHER DISASTER TAX RELIEF PROVISIONS

- Sec. 201. Exclusion for disaster mitigation payments received from State and local governments.
- Sec. 202. Natural disaster funds.

TITLE III—PERMANENT DISASTER TAX RELIEF PROVISIONS

- Sec. 301. Increase property replacement period to 5 years.
- Sec. 302. Wage credit for specified disaster-damaged businesses.
- Sec. 303. Disaster-related medical expenses.
- Sec. 304. Expensing of qualified disaster expenses.
- Sec. 305. Losses attributable to disasters.
- Sec. 306. Net operating losses attributable to disasters.
- Sec. 307. Special rules for use of retirement funds in connection with federally declared disasters.
- Sec. 308. Additional exemption for housing qualified disaster displaced individuals.
- Sec. 309. Exclusions of certain cancellations of indebtedness by reason of disasters.
- Sec. 310. Special rule for determining earned income of individuals affected by federally declared disasters.

Sec. 311. Qualified disaster area recovery bonds.

Sec. 312. Additional low-income housing credit allocations.

1 **TITLE I—TAX RELIEF RELATING**  
2 **TO DISASTERS IN 2012, 2013,**  
3 **2014, AND 2015**

4 **SEC. 101. EXPENSING OF QUALIFIED DISASTER EXPENSES.**

5 (a) IN GENERAL.—Part VI of subchapter B of chap-  
6 ter 1 of the Internal Revenue Code of 1986 is amended  
7 by inserting after section 198 the following:

8 **“SEC. 198A. EXPENSING OF QUALIFIED DISASTER EX-**  
9 **PENSES.**

10 “(a) IN GENERAL.—A taxpayer may elect to treat  
11 any qualified disaster expenses which are paid or incurred  
12 by the taxpayer as an expense which is not chargeable to  
13 capital account. Any expense which is so treated shall be  
14 allowed as a deduction for the taxable year in which it  
15 is paid or incurred.

16 “(b) QUALIFIED DISASTER EXPENSE.—For purposes  
17 of this section, the term ‘qualified disaster expense’ means  
18 any expenditure—

19 “(1) which is paid or incurred in connection  
20 with a trade or business or with business-related  
21 property,

22 “(2) which is—

23 “(A) for the abatement or control of haz-  
24 arduous substances that were released on ac-

1 count of a federally declared disaster occurring  
2 during the period beginning—

3 “(i) after December 31, 2007, and be-  
4 fore January 1, 2010, or

5 “(ii) after December 31, 2011, and  
6 before January 1, 2016,

7 “(B) for the removal of debris from, or the  
8 demolition of structures on, real property which  
9 is business-related property damaged or de-  
10 stroyed as a result of a federally declared dis-  
11 aster occurring during any such period, or

12 “(C) for the repair of business-related  
13 property damaged as a result of a federally de-  
14 clared disaster occurring during any such pe-  
15 riod, and

16 “(3) which is otherwise chargeable to capital ac-  
17 count.

18 “(c) OTHER DEFINITIONS.—For purposes of this  
19 section—

20 “(1) BUSINESS-RELATED PROPERTY.—The  
21 term ‘business-related property’ means property—

22 “(A) held by the taxpayer for use in a  
23 trade or business or for the production of in-  
24 come, or

1           “(B) described in section 1221(a)(1) in the  
2           hands of the taxpayer.

3           “(2) **FEDERALLY DECLARED DISASTER.**—The  
4           term ‘federally declared disaster’ has the meaning  
5           given such term by section 165(i)(5)(A).

6           “(d) **DEDUCTION RECAPTURED AS ORDINARY IN-**  
7 **COME ON SALE, ETC.**—Solely for purposes of section  
8 1245, in the case of property to which a qualified disaster  
9 expense would have been capitalized but for this section—

10           “(1) the deduction allowed by this section for  
11           such expense shall be treated as a deduction for de-  
12           preciation, and

13           “(2) such property (if not otherwise section  
14 1245 property) shall be treated as section 1245  
15 property solely for purposes of applying section 1245  
16 to such deduction.

17           “(e) **COORDINATION WITH OTHER PROVISIONS.**—  
18 Sections 198, 280B, and 468 shall not apply to amounts  
19 which are treated as expenses under this section.

20           “(f) **REGULATIONS.**—The Secretary shall prescribe  
21 such regulations as may be necessary or appropriate to  
22 carry out the purposes of this section.”.

23           (b) **CLERICAL AMENDMENT.**—The table of sections  
24 for part VI of subchapter B of chapter 1 of the Internal

1 Revenue Code of 1986 is amended by inserting after the  
2 item relating to section 198 the following item:

“Sec. 198A. Expensing of qualified disaster expenses.”.

3 (c) **EFFECTIVE DATE.**—The amendment made by  
4 this section shall apply to amounts paid or incurred after  
5 December 31, 2011, in connection with disasters declared  
6 after such date.

7 **SEC. 102. INCREASED LIMITATION ON CHARITABLE CON-**  
8 **TRIBUTIONS FOR DISASTER RELIEF.**

9 (a) **INDIVIDUALS.**—Paragraph (1) of section 170(b)  
10 of the Internal Revenue Code of 1986 is amended by re-  
11 designating subparagraphs (F) and (G) as subparagraphs  
12 (G) and (H), respectively, and by inserting after subpara-  
13 graph (E) the following new subparagraph:

14 “(F) **QUALIFIED DISASTER CONTRIBU-**  
15 **TIONS.**—

16 “(i) **IN GENERAL.**—Any qualified dis-  
17 aster contribution shall be allowed to the  
18 extent that the aggregate of such contribu-  
19 tions does not exceed the excess of 80 per-  
20 cent of the taxpayer’s contribution base  
21 over the amount of all other charitable  
22 contributions allowable under this para-  
23 graph.

24 “(ii) **CARRYOVER.**—If the aggregate  
25 amount of contributions described in clause

1 (i) exceeds the limitation under clause (i),  
2 such excess shall be treated (in a manner  
3 consistent with the rules of subsection  
4 (d)(1)) as a charitable contribution to  
5 which clause (i) applies in each of the 5  
6 succeeding years in order of time.

7 “(iii) COORDINATION WITH OTHER  
8 SUBPARAGRAPHS.—For purposes of apply-  
9 ing this subsection and subsection (d)(1),  
10 contributions described in clause (i) shall  
11 not be treated as described in subpara-  
12 graph (A) and such subparagraph shall be  
13 applied without regard to such contribu-  
14 tions.

15 “(iv) QUALIFIED DISASTER CON-  
16 TRIBUTIONS.—For purposes of this sub-  
17 paragraph, the term ‘qualified disaster  
18 contribution’ means any charitable con-  
19 tribution if—

20 “(I) such contribution is for re-  
21 lief efforts related to a federally de-  
22 clared disaster (as defined in section  
23 165(h)(3)(C)(i)),

24 “(II) such contribution is made  
25 during the period beginning on the

1 applicable disaster date with respect  
2 to the disaster described in subclause  
3 (I) and ending on December 31,  
4 2015, and

5 “(III) such contribution is made  
6 in cash to an organization described  
7 in subparagraph (A) (other than an  
8 organization described in section  
9 509(a)(3)).

10 Such term shall not include a contribution  
11 if the contribution is for establishment of  
12 a new, or maintenance in an existing,  
13 donor advised fund (as defined in section  
14 4966(d)(2)).

15 “(v) APPLICABLE DISASTER DATE.—  
16 For purposes of clause (iv)(II), the term  
17 ‘applicable disaster date’ means, with re-  
18 spect to any federally declared disaster de-  
19 scribed in clause (iv)(I), the date on which  
20 the disaster giving rise to the Presidential  
21 declaration described in section  
22 165(i)(5)(A) occurred.

23 “(vi) SUBSTANTIATION REQUIRE-  
24 MENT.—This paragraph shall not apply to  
25 any qualified disaster contribution unless



1 the taxpayer obtains from such organiza-  
2 tion to which the contribution was made a  
3 contemporaneous written acknowledgment  
4 (within the meaning of subsection (f)(8))  
5 that such contribution was used (or is to  
6 be used) for a purpose described in clause  
7 (iv)(III).”.

8 (b) CORPORATIONS.—

9 (1) IN GENERAL.—Paragraph (2) of section  
10 170(b) of the Internal Revenue Code of 1986 is  
11 amended by redesignating subparagraph (C) as sub-  
12 paragraph (D) and by inserting after subparagraph  
13 (B) the following new subparagraph:

14 “(C) QUALIFIED DISASTER CONTRIBU-  
15 TIONS.—

16 “(i) IN GENERAL.—Any qualified dis-  
17 aster contribution shall be allowed to the  
18 extent that the aggregate of such contribu-  
19 tions does not exceed the excess of 20 per-  
20 cent of the taxpayer’s taxable income over  
21 the amount of charitable contributions al-  
22 lowed under subparagraph (A).

23 “(ii) CARRYOVER.—If the aggregate  
24 amount of contributions described in clause  
25 (i) exceeds the limitation under clause (i),

1 such excess shall be treated (in a manner  
2 consistent with the rules of subsection  
3 (d)(1)) as a charitable contribution to  
4 which clause (i) applies in each of the 5  
5 succeeding years in order of time.

6 “(iii) QUALIFIED DISASTER CON-  
7 TRIBUTION.—The term ‘qualified disaster  
8 contribution’ has the meaning given such  
9 term under paragraph (2)(F)(iv).

10 “(iv) SUBSTANTIATION REQUIRE-  
11 MENT.—This paragraph shall not apply to  
12 any qualified disaster contribution unless  
13 the taxpayer obtains from such organiza-  
14 tion to which the contribution was made a  
15 contemporaneous written acknowledgment  
16 (within the meaning of subsection (f)(8))  
17 that such contribution was used (or is to  
18 be used) for a purpose described in para-  
19 graph (1)(F)(iv)(III).”.

20 (2) CONFORMING AMENDMENTS.—

21 (A) Subparagraph (A) of section 170(b)(2)  
22 of such Code is amended by striking “subpara-  
23 graph (B) applies” and inserting “subpara-  
24 graphs (B) and (C) apply”.

1           (B) Subparagraph (B) of section 170(b)(2)  
2           of such Code is amended by striking “subpara-  
3           graph (A)” and inserting “subparagraphs (A)  
4           and (C)”.

5           (c) EFFECTIVE DATE.—The amendments made by  
6 this section shall apply to disasters arising in taxable years  
7 ending after December 31, 2011.

8 **SEC. 103. LOSSES ATTRIBUTABLE TO DISASTERS IN 2012,**  
9 **2013, 2014, AND 2015.**

10          (a) IN GENERAL.—Section 165(h) of the Internal  
11 Revenue Code of 1986 is amended by redesignating para-  
12 graphs (3) and (4) as paragraphs (4) and (5), respectively,  
13 and by inserting after paragraph (2) the following:

14               “(3) SPECIAL RULE FOR LOSSES IN FEDERALLY  
15               DECLARED DISASTERS.—

16               “(A) IN GENERAL.—If an individual has a  
17               net disaster loss for any taxable year, the  
18               amount determined under paragraph (2)(A)(ii)  
19               shall be the sum of—

20                       “(i) such net disaster loss, and

21                       “(ii) so much of the excess referred to  
22                       in the matter preceding clause (i) of para-  
23                       graph (2)(A) (reduced by the amount in  
24                       clause (i) of this subparagraph) as exceeds

1           10 percent of the adjusted gross income of  
2           the individual.

3           “(B) NET DISASTER LOSS.—For purposes  
4           of subparagraph (A), the term ‘net disaster  
5           loss’ means the excess of—

6                   “(i) the personal casualty losses—

7                           “(I) attributable to a federally  
8                           declared disaster occurring during the  
9                           period beginning after December 31,  
10                          2007, and before January 1, 2010, or  
11                          during the period beginning after De-  
12                          cember 31, 2011, and before January  
13                          1, 2016, and

14                          “(II) occurring in a disaster  
15                          area, over

16                          “(ii) personal casualty gains.

17           “(C) FEDERALLY DECLARED DISASTER.—

18           For purposes of this paragraph—

19                          “(i) FEDERALLY DECLARED DIS-  
20                          ASTER.—The term ‘federally declared dis-  
21                          aster’ has the meaning given such term by  
22                          subsection (i)(5)(A).

23                          “(ii) DISASTER AREA.—The term ‘dis-  
24                          aster area’ has the meaning given such  
25                          term by subsection (i)(5)(B).”.

1 (b) CONFORMING AMENDMENT.—Paragraph (4) of  
2 section 165(h) of such Code, as so redesignated, is amend-  
3 ed by striking “paragraph (2)” and inserting “paragraphs  
4 (2) and (3)”.

5 (c) LOSS ALLOWED WHETHER OR NOT INDIVIDUAL  
6 ITEMIZED DEDUCTIONS.—Section 62(a) of the Internal  
7 Revenue Code of 1986 is amended by inserting after para-  
8 graph (21) the following new paragraph:

9 “(22) DISASTER CASUALTY LOSSES.—Any net  
10 disaster loss (as defined in section 165(h)(3)(B)).”.

11 (d) TECHNICAL AMENDMENT.—Subparagraph (A) of  
12 section 165(i)(5) of the Internal Revenue Code of 1986  
13 is amended by inserting “major” after “means any”.

14 (e) EFFECTIVE DATE.—The amendments made by  
15 this section shall apply to disasters declared in taxable  
16 years beginning after December 31, 2011.

17 (f) USE OF AMENDED INCOME TAX RETURNS TO  
18 TAKE INTO ACCOUNT RECEIPT OF CERTAIN CASUALTY  
19 LOSS GRANTS BY DISALLOWING PREVIOUSLY TAKEN  
20 CASUALTY LOSS DEDUCTIONS.—

21 (1) IN GENERAL.—Notwithstanding any other  
22 provision of the Internal Revenue Code of 1986, if  
23 a taxpayer—

24 (A) claims a deduction for any taxable year  
25 with respect to a casualty loss to a principal

1 residence (within the meaning of section 121 of  
2 such Code) resulting from any federally de-  
3 clared disaster (as defined in section  
4 165(h)(3)(C) of such Code) occurring during  
5 the period beginning after December 31, 2011,  
6 and before January 1, 2016, and

7 (B) in a subsequent taxable year receives  
8 a grant under any Federal or State program as  
9 reimbursement for such loss,

10 such taxpayer may elect to file an amended income  
11 tax return for the taxable year in which such deduc-  
12 tion was allowed (and for any taxable year to which  
13 such deduction is carried) and reduce (but not below  
14 zero) the amount of such deduction by the amount  
15 of such reimbursement.

16 (2) TIME OF FILING AMENDED RETURN.—  
17 Paragraph (1) shall apply with respect to any grant  
18 only if any amended income tax returns with respect  
19 to such grant are filed not later than the later of—

20 (A) the due date for filing the tax return  
21 for the taxable year in which the taxpayer re-  
22 ceives such grant, or

23 (B) the date which is 1 year after the date  
24 of the enactment of this Act.

1           (3) WAIVER OF PENALTIES AND INTEREST.—  
2           Any underpayment of tax resulting from the reduc-  
3           tion under paragraph (1) of the amount otherwise  
4           allowable as a deduction shall not be subject to any  
5           penalty or interest under such Code if such tax is  
6           paid not later than 1 year after the filing of the  
7           amended return to which such reduction relates.

8   **SEC. 104. NET OPERATING LOSSES ATTRIBUTABLE TO DIS-**  
9                                   **ASTERS IN 2012, 2013, 2014, AND 2015.**

10          (a) IN GENERAL.—Section 172(b)(1) of the Internal  
11 Revenue Code of 1986 is amended by adding at the end  
12 the following:

13                           “(G) CERTAIN LOSSES ATTRIBUTABLE  
14                           FEDERALLY DECLARED DISASTERS.—In the  
15                           case of a taxpayer who has a qualified disaster  
16                           loss (as defined in subsection (i)), such loss  
17                           shall be a net operating loss carryback to each  
18                           of the 5 taxable years preceding the taxable  
19                           year of such loss.”.

20          (b) RULES RELATING TO QUALIFIED DISASTER  
21 LOSSES.—Section 172 of the Internal Revenue Code of  
22 1986 is amended by redesignating subsection (i) a sub-  
23 section (j) and by inserting after subsection (h) the fol-  
24 lowing:

1       “(i) RULES RELATING TO QUALIFIED DISASTER  
2 LOSSES.—For purposes of this section—

3               “(1) IN GENERAL.—The term ‘qualified dis-  
4 aster loss’ means the lesser of—

5                       “(A) the sum of—

6                               “(i) the losses allowable under section  
7 165 for the taxable year—

8                                       “(I) attributable to a federally  
9 declared disaster (as defined in sec-  
10 tion 165(i)(5)(A)) occurring during  
11 the period beginning after December  
12 31, 2007, and before January 1,  
13 2010, or during the period beginning  
14 after December 31, 2011, and before  
15 January 1, 2016, and

16                                       “(II) occurring in a disaster area  
17 (as defined in section 165(i)(5)(B)),  
18 and

19                               “(ii) the deduction for the taxable  
20 year for qualified disaster expenses which  
21 is allowable under section 198A(a) or  
22 which would be so allowable if not other-  
23 wise treated as an expense, or

24                               “(B) the net operating loss for such tax-  
25 able year.



1           “(2) COORDINATION WITH SUBSECTION  
2           (b)(2).—For purposes of applying subsection (b)(2),  
3           a qualified disaster loss for any taxable year shall be  
4           treated in a manner similar to the manner in which  
5           a specified liability loss is treated.

6           “(3) ELECTION.—Any taxpayer entitled to a 5-  
7           year carryback under subsection (b)(1)(G) from any  
8           loss year may elect to have the carryback period  
9           with respect to such loss year determined without re-  
10          gard to subsection (b)(1)(G). Such election shall be  
11          made in such manner as may be prescribed by the  
12          Secretary and shall be made by the due date (includ-  
13          ing extensions of time) for filing the taxpayer’s re-  
14          turn for the taxable year of the net operating loss.  
15          Such election, once made for any taxable year, shall  
16          be irrevocable for such taxable year.

17          “(4) EXCLUSION.—The term ‘qualified disaster  
18          loss’ shall not include any loss with respect to any  
19          property described in section 1400N(p)(3).”.

20          (c) EFFECTIVE DATE.—The amendments made by  
21          this section shall apply to losses arising in taxable years  
22          beginning after December 31, 2011, in connection with  
23          disasters declared after such date.

1 **SEC. 105. WAIVER OF CERTAIN MORTGAGE REVENUE BOND**  
2 **REQUIREMENTS FOLLOWING 2012, 2013, 2014,**  
3 **AND 2015 DISASTERS.**

4 (a) IN GENERAL.—Paragraph (13) of section 143(k)  
5 of the Internal Revenue Code of 1986 is amended by strik-  
6 ing “before January 1, 2010” in subparagraphs (A)(i) and  
7 (B)(i) of such paragraph and inserting “during the period  
8 beginning after December 31, 2007, and before January  
9 1, 2010, or during the period beginning after December  
10 31, 2011, and before January 1, 2016”.

11 (b) EFFECTIVE DATE.—The amendments made by  
12 this section shall apply to disasters occurring after Decem-  
13 ber 31, 2011.

14 **SEC. 106. INCREASED EXPENSING AND BONUS DEPRECIATION**  
15 **FOR QUALIFIED DISASTER ASSISTANCE**  
16 **PROPERTY FOLLOWING 2012, 2013, 2014, AND**  
17 **2015 DISASTERS.**

18 (a) IN GENERAL.—Subclause (I) of section  
19 168(n)(2)(A)(ii) of the Internal Revenue Code of 1986 is  
20 amended by striking “before January 1, 2010” and insert-  
21 ing “during the period beginning after December 31,  
22 2007, and before January 1, 2010, or during the period  
23 beginning after December 31, 2011, and before January  
24 1, 2016”.

25 (b) REMOVAL OF EXCLUSION.—Section  
26 168(n)(2)(B)(i) of such Code is amended by inserting

1 “and” at the end of subclause (I), by striking “, and”  
 2 at the end of subclause (II) and inserting a period, and  
 3 by striking subclause (III).

4 (c) EFFECTIVE DATE.—The amendments made by  
 5 this section shall apply to property placed in service after  
 6 December 31, 2011, with respect to disasters declared  
 7 after such date.

8 **SEC. 107. INCREASE IN NEW MARKETS TAX CREDIT FOR IN-**  
 9 **VESTMENTS IN COMMUNITY DEVELOPMENT**  
 10 **ENTITIES SERVING 2012, 2013, 2014, AND 2015**  
 11 **DISASTER AREAS.**

12 (a) IN GENERAL.—Subsection (f) of section 45D of  
 13 the Internal Revenue Code of 1986 is amended by adding  
 14 at the end the following new paragraph:

15 “(4) INCREASED SPECIAL ALLOCATION FOR  
 16 COMMUNITY DEVELOPMENT ENTITIES SERVING DIS-  
 17 ASTER AREAS WITH RESPECT TO DISASTERS OCCUR-  
 18 RING IN ANY OF CALENDAR YEARS 2012 THROUGH  
 19 2015.—

20 “(A) IN GENERAL.—In the case of each  
 21 calendar year which begins after 2012 and be-  
 22 fore 2017, the new markets tax credit limitation  
 23 shall be increased by an amount equal to  
 24 \$500,000,000, to be allocated among qualified  
 25 community development entities to make quali-

1           fied low-income community investments within  
2           any covered federally declared disaster area.

3           “(B) ALLOCATION OF INCREASE.—The  
4           amount of the increase in limitation under sub-  
5           paragraph (A) shall be allocated by the Sec-  
6           retary under paragraph (2) to qualified commu-  
7           nity development entities and shall give priority  
8           to such entities with a record of having success-  
9           fully provided capital or technical assistance to  
10          businesses or communities within any covered  
11          federally declared disaster area or areas for  
12          which the allocation is requested.

13          “(C) APPLICATION OF CARRYFORWARD.—  
14          Paragraph (3) shall be applied separately with  
15          respect to the amount of any increase under  
16          subparagraph (A).

17          “(D) COVERED FEDERALLY DECLARED  
18          DISASTER AREA.—For purposes of this para-  
19          graph, the term ‘covered federally declared dis-  
20          aster area’ means any disaster area resulting  
21          from any federally declared disaster occurring  
22          after December 31, 2011, and before January  
23          1, 2016. For purposes of the preceding sen-  
24          tence, the terms ‘federally declared disaster’

1 and ‘disaster area’ have the meanings given  
2 such terms in section 165(i)(5).”.

3 (b) EFFECTIVE DATE.—The amendments made by  
4 this section shall apply to calendar years beginning after  
5 2012.

6 **SEC. 108. SPECIAL RULES FOR USE OF RETIREMENT FUNDS**  
7 **IN CONNECTION WITH FEDERALLY DE-**  
8 **CLARED DISASTERS IN 2012, 2013, 2014, AND**  
9 **2015.**

10 (a) TAX-FAVORED WITHDRAWALS FROM RETIRE-  
11 MENT PLANS.—

12 (1) IN GENERAL.—Paragraph (2) of section  
13 72(t) of the Internal Revenue Code of 1986 is  
14 amended by adding at the end the following new  
15 subparagraph:

16 “(H) DISTRIBUTIONS FROM RETIREMENT  
17 PLANS IN CONNECTION WITH FEDERALLY DE-  
18 CLARED DISASTERS DURING IN ANY CALENDAR  
19 YEARS AFTER 2011.—Any qualified disaster re-  
20 covery distribution.”.

21 (2) QUALIFIED DISASTER RECOVERY DISTRIBU-  
22 TION.—Section 72(t) of such Code is amended by  
23 adding at the end the following new paragraph:

24 “(11) QUALIFIED DISASTER RECOVERY DIS-  
25 TRIBUTION.—For purposes of paragraph (2)(H)—

1           “(A) IN GENERAL.—Except as provided in  
2           subparagraph (B), the term ‘qualified disaster  
3           recovery distribution’ means, with respect to  
4           any federally declared disaster occurring in any  
5           calendar year beginning after 2011 and before  
6           January 1, 2016, any distribution from an eli-  
7           gible retirement plan made on or after the ap-  
8           plicable disaster date and before the date that  
9           is 1 year after the applicable disaster date, to  
10          an individual whose principal place of abode on  
11          the applicable disaster date, is located in the  
12          disaster area and who has sustained an eco-  
13          nomic loss by reason of such federally declared  
14          disaster.

15           “(B) DOLLAR LIMITATION.—

16           “(i) IN GENERAL.—For purposes of  
17           this subsection, the aggregate amount of  
18           distributions received by an individual with  
19           respect to any federally declared disaster  
20           occurring during in any calendar year be-  
21           ginning after 2011 shall not exceed  
22           \$100,000.

23           “(ii) TREATMENT OF PLAN DISTRIBUTI-  
24           ONS.—If a distribution to an individual  
25           would (without regard to clause (i)) be a

1 qualified disaster recovery distribution, a  
2 plan shall not be treated as violating any  
3 requirement of this title merely because  
4 the plan treats such distribution as a  
5 qualified disaster recovery distribution, un-  
6 less the aggregate amount of such distribu-  
7 tions from all plans maintained by the em-  
8 ployer (and any member of any controlled  
9 group which includes the employer) to such  
10 individual with respect to any federally de-  
11 clared disaster occurring in any calendar  
12 year beginning after 2011 exceeds  
13 \$100,000.

14 “(iii) CONTROLLED GROUP.—For pur-  
15 poses of clause (ii), the term ‘controlled  
16 group’ means any group treated as a single  
17 employer under subsection (b), (c), (m), or  
18 (o) of section 414.

19 “(C) AMOUNT DISTRIBUTED MAY BE RE-  
20 PAID.—

21 “(i) IN GENERAL.—Any individual  
22 who receives a qualified disaster recovery  
23 distribution may, at any time during the 3-  
24 year period beginning on the day after the  
25 date on which such distribution was re-

1           ceived, make one or more contributions in  
2           an aggregate amount not to exceed the  
3           amount of such distribution to an eligible  
4           retirement plan of which such individual is  
5           a beneficiary and to which a rollover con-  
6           tribution of such distribution could be  
7           made under section 402(c), 403(a)(4),  
8           403(b)(8), 408(d)(3), or 457(e)(16), as the  
9           case may be.

10           “(ii) TREATMENT OF REPAYMENTS OF  
11           DISTRIBUTIONS FROM ELIGIBLE RETIRE-  
12           MENT PLANS OTHER THAN IRAS.—For  
13           purposes of this title, if a contribution is  
14           made pursuant to clause (i) with respect to  
15           a qualified disaster recovery distribution  
16           from an eligible retirement plan other than  
17           an individual retirement plan, then the tax-  
18           payer shall, to the extent of the amount of  
19           the contribution, be treated as having re-  
20           ceived the qualified disaster recovery dis-  
21           tribution in an eligible rollover distribution  
22           (as defined in section 402(c)(4)) and as  
23           having transferred the amount to the eligi-  
24           ble retirement plan in a direct trustee to



1 trustee transfer within 60 days of the dis-  
2 tribution.

3 “(iii) TREATMENT OF REPAYMENTS  
4 FOR DISTRIBUTIONS FROM IRAS.—For  
5 purposes of this title, if a contribution is  
6 made pursuant to clause (i) with respect to  
7 a qualified disaster recovery distribution  
8 from an individual retirement plan (as de-  
9 fined by section 7701(a)(37)), then, to the  
10 extent of the amount of the contribution,  
11 the qualified disaster recovery distribution  
12 shall be treated as a distribution described  
13 in section 408(d)(3) and as having been  
14 transferred to the eligible retirement plan  
15 in a direct trustee to trustee transfer with-  
16 in 60 days of the distribution.

17 “(D) INCOME INCLUSION SPREAD OVER 3-  
18 YEAR PERIOD.—

19 “(i) IN GENERAL.—In the case of any  
20 qualified disaster recovery distribution, un-  
21 less the taxpayer elects not to have this  
22 paragraph apply for any taxable year, any  
23 amount required to be included in gross in-  
24 come for such taxable year shall be so in-

1           cluded ratably over the 3-taxable-year pe-  
2           riod beginning with such taxable year.

3           “(ii) SPECIAL RULE.—For purposes of  
4           clause (i), rules similar to the rules of sub-  
5           paragraph (E) of section 408A(d)(3) shall  
6           apply.

7           “(E) OTHER DEFINITIONS.—

8           “(i) FEDERALLY DECLARED DIS-  
9           ASTER; DISASTER AREA.—The terms ‘fed-  
10          erally declared disaster’ and ‘disaster area’  
11          have the meanings given such terms under  
12          section 165(i)(5).

13          “(ii) APPLICABLE DISASTER DATE.—  
14          The term ‘applicable disaster date’ means,  
15          with respect to any federally declared dis-  
16          aster, the date on which such federally de-  
17          clared disaster occurs.

18          “(iii) ELIGIBLE RETIREMENT PLAN.—  
19          The term ‘eligible retirement plan’ shall  
20          have the meaning given such term by sec-  
21          tion 402(c)(8)(B).

22          “(F) SPECIAL RULES.—

23          “(i) EXEMPTION OF DISTRIBUTIONS  
24          FROM TRUSTEE TO TRUSTEE TRANSFER  
25          AND WITHHOLDING RULES.—For purposes

1 of sections 401(a)(31), 402(f), and 3405,  
 2 qualified disaster recovery distributions  
 3 shall not be treated as eligible rollover dis-  
 4 tributions.

5 “(ii) QUALIFIED DISASTER RECOVERY  
 6 DISTRIBUTIONS TREATED AS MEETING  
 7 PLAN DISTRIBUTION REQUIREMENTS.—  
 8 For purposes of this title, a qualified dis-  
 9 aster recovery distribution shall be treated  
 10 as meeting the requirements of sections  
 11 401(k)(2)(B)(i), 403(b)(7)(A)(ii),  
 12 403(b)(11), and 457(d)(1)(A).”

13 (3) EFFECTIVE DATE.—The amendments made  
 14 by this subsection shall apply to distributions with  
 15 respect to disaster declared after December 31,  
 16 2011.

17 (b) LOANS FROM QUALIFIED PLANS.—

18 (1) IN GENERAL.—Subsection (p) of section 72  
 19 of the Internal Revenue Code of 1986 is amended by  
 20 adding at the end the following new paragraph:

21 “(6) INCREASE IN LIMIT ON LOANS NOT TREAT-  
 22 ED AS DISTRIBUTIONS WITH RESPECT TO DISASTERS  
 23 IN ANY CALENDAR YEAR AFTER 2011.—

24 “(A) IN GENERAL.—In the case of any  
 25 loan from a qualified employer plan to a quali-

1           fied individual made during the applicable pe-  
2           riod—

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

6                   “(ii) clause (ii) of such paragraph  
7                   shall be applied by substituting ‘the  
8                   present value of the nonforfeitable accrued  
9                   benefit of the employee under the plan’ for  
10                  ‘one-half of the present value of the non-  
11                  forfeitable accrued benefit of the employee  
12                  under the plan’.

13                  “(B) DELAY OF REPAYMENT.—In the case  
14                  of a qualified individual with an outstanding  
15                  loan on or after the applicable disaster date  
16                  from a qualified employer plan—

17                   “(i) if the due date pursuant to sub-  
18                   paragraph (B) or (C) of paragraph (2) for  
19                   any repayment with respect to such loan  
20                   occurs during the 1-year period beginning  
21                   on the applicable disaster date, such due  
22                   date shall be delayed for 1 year,

23                   “(ii) any subsequent repayments with  
24                   respect to any such loan shall be appro-  
25                   priately adjusted to reflect the delay in the

1 due date under clause (i) and any interest  
2 accruing during such delay, and

3 “(iii) in determining the 5-year period  
4 and the term of a loan under subpara-  
5 graph (B) or (C) of paragraph (2), the pe-  
6 riod described in clause (i) shall be dis-  
7 regarded.

8 “(C) DEFINITIONS.—For purposes of this  
9 paragraph—

10 “(i) QUALIFIED INDIVIDUAL.—The  
11 term ‘qualified individual’ means, with re-  
12 spect to any federally declared disaster oc-  
13 ccurring during in any calendar year begin-  
14 ning after 2011, an individual whose prin-  
15 cipal place of abode on the applicable dis-  
16 aster date is located in the disaster area  
17 and who has sustained an economic loss by  
18 reason of such federally declared disaster.

19 “(ii) APPLICABLE PERIOD.—The ap-  
20 plicable period is the period beginning on  
21 the applicable disaster date and ending on  
22 December 31, 2016.

23 “(iii) FEDERALLY DECLARED DIS-  
24 ASTER; DISASTER AREA.—The terms ‘fed-  
25 erally declared disaster’ and ‘disaster area’

1           have the meanings given such terms under  
2           section 165(i)(5).

3                   “(iv) APPLICABLE DISASTER DATE.—  
4           The term ‘applicable disaster date’ means,  
5           with respect to any federally declared dis-  
6           aster, the date on which such federally de-  
7           clared disaster occurs.”.

8                   (2) EFFECTIVE DATE.—The amendment made  
9           by this subsection shall apply to loans made with re-  
10          spect to disaster declared after December 31, 2011.

11          (c) PROVISIONS RELATING TO PLAN AMEND-  
12          MENTS.—

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

18                   (2) AMENDMENTS TO WHICH SUBSECTION AP-  
19          PLIES.—

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

23                           (i) pursuant to any provision of, or  
24                           amendment made by, this section, or pur-  
25                           suant to any regulation issued by the Sec-

1           retary or the Secretary of Labor under any  
2           provision of, or amendment made by, this  
3           section, and

4                   (ii) on or before the last day of the  
5           first plan year beginning on or after Janu-  
6           ary 1, 2016, or such later date as the Sec-  
7           retary may prescribe.

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

12          (B) CONDITIONS.—This subsection shall  
13          not apply to any amendment unless—

14                   (i) during the period—

15                           (I) beginning on the date that  
16                   the provisions of, and amendments  
17                   made by, this section or the regulation  
18                   described in subparagraph (A)(i)  
19                   takes effect (or in the case of a plan  
20                   or contract amendment not required  
21                   by the provisions of, or amendments  
22                   made by, this section or such regula-  
23                   tion, the effective date specified by the  
24                   plan), and

1 (II) ending on the date described  
 2 in subparagraph (A)(ii) (or, if earlier,  
 3 the date the plan or contract amend-  
 4 ment is adopted),  
 5 the plan or contract is operated as if such  
 6 plan or contract amendment were in effect;  
 7 and  
 8 (ii) such plan or contract amendment  
 9 applies retroactively for such period.

10 **SEC. 109. ADDITIONAL EXEMPTION FOR HOUSING QUALI-**  
 11 **FIED DISASTER DISPLACED INDIVIDUALS.**

12 (a) IN GENERAL.—Section 151 of the Internal Rev-  
 13 enue Code of 1986 is amended by adding at the end the  
 14 following new subsection:

15 “(f) ADDITIONAL EXEMPTION FOR CERTAIN DIS-  
 16 ASTER-DISPLACED INDIVIDUALS.—

17 “(1) IN GENERAL.—In the case of any taxable  
 18 year beginning in any calendar year beginning after  
 19 2011, there shall be allowed an exemption of \$500  
 20 for each qualified disaster-displaced individual with  
 21 respect to the taxpayer for the taxable year.

22 “(2) LIMITATIONS.—

23 “(A) DOLLAR LIMITATION.—The exemp-  
 24 tion under paragraph (1) shall not exceed  
 25 \$2,000, reduced by the amount of the exemp-



1           tion under this subsection for all prior taxable  
2           years.

3           “(B) INDIVIDUALS TAKEN INTO ACCOUNT  
4           ONLY ONCE.—An individual shall not be taken  
5           into account under paragraph (1) if such indi-  
6           vidual was taken into account under this sub-  
7           section by the taxpayer for any prior taxable  
8           year.

9           “(C) IDENTIFYING INFORMATION RE-  
10          QUIRED.—An individual shall not be taken into  
11          account under paragraph (1) for a taxable year  
12          unless the taxpayer identification number of  
13          such individual is included on the return of the  
14          taxpayer for such taxable year.

15          “(3) QUALIFIED DISASTER-DISPLACED INDI-  
16          VIDUAL.—

17                 “(A) IN GENERAL.—For purposes of this  
18                 subsection, the term ‘qualified disaster-dis-  
19                 placed individual’ means, with respect to any  
20                 taxpayer for any taxable year, any qualified in-  
21                 dividual if such individual is provided housing  
22                 free of charge by the taxpayer in the principal  
23                 residence of the taxpayer for a period of 60  
24                 consecutive days which ends in such taxable

1 year. Such term shall not include the spouse or  
2 any dependent of the taxpayer.

3 “(B) QUALIFIED INDIVIDUAL.—The term  
4 ‘qualified individual’ means any individual  
5 who—

6 “(i) on the date of a federally declared  
7 disaster occurring in calendar years begin-  
8 ning after 2011 and before 2016 main-  
9 tained such individual’s principal place of  
10 abode in the disaster area declared with re-  
11 spect to such disaster, and

12 “(ii) was displaced from such prin-  
13 cipal place of abode by reason of the feder-  
14 ally declared disaster.

15 For purposes of the preceding sentence, the  
16 terms ‘federally declared disaster’ and ‘disaster  
17 area’ have the meanings given such terms in  
18 section 165(i)(5).

19 “(4) COMPENSATION FOR HOUSING.—No de-  
20 duction shall be allowed under this subsection if the  
21 taxpayer receives any rent or other amount (from  
22 any source) in connection with the providing of such  
23 housing.”.

1 (b) EFFECTIVE DATE.—The amendment made by  
2 this section shall apply to taxable years beginning after  
3 December 31, 2011.

4 **SEC. 110. EXCLUSIONS OF CERTAIN CANCELLATIONS OF IN-**  
5 **DEBTEDNESS BY REASON OF 2012, 2013, 2014,**  
6 **AND 2015 DISASTERS.**

7 (a) IN GENERAL.—Section 108 of the Internal Rev-  
8 enue Code of 1986 is amended by adding at the end the  
9 following new subsection:

10 “(j) DISCHARGE OF INDEBTEDNESS FOR INDIVID-  
11 UALS AFFECTED BY DISASTERS IN ANY CALENDAR YEAR  
12 AFTER 2011.—

13 “(1) IN GENERAL.—Except as provided in para-  
14 graph (2), gross income shall not include any  
15 amount which (but for this subsection) would be in-  
16 cludible in gross income by reason of any discharge  
17 (in whole or in part) of indebtedness of a natural  
18 person described in paragraph (3) by an applicable  
19 entity (as defined in section 6050P(c)(1)) during the  
20 applicable period.

21 “(2) EXCEPTIONS FOR BUSINESS INDEBTED-  
22 NESS.—Paragraph (1) shall not apply to any indebt-  
23 edness incurred in connection with a trade or busi-  
24 ness.

1           “(3) PERSONS DESCRIBED.—A natural person  
2 is described in this paragraph if the principal place  
3 of abode of such person on the applicable disaster  
4 date was located in the disaster area with respect to  
5 any federally declared disaster occurring during any  
6 calendar year beginning after 2011 and before 2016.

7           “(4) APPLICABLE PERIOD.—For purposes of  
8 this subsection, the term ‘applicable period’ means  
9 the period beginning on the applicable disaster date  
10 and ending on the date which is 14 months after  
11 such date.

12           “(5) OTHER DEFINITIONS.—For purposes of  
13 this subsection—

14           “(A) FEDERALLY DECLARED DISASTER;  
15 DISASTER AREA.—The terms ‘federally declared  
16 disaster’ and ‘disaster area’ have the meanings  
17 given such terms under section 165(i)(5).

18           “(B) APPLICABLE DISASTER DATE.—The  
19 term ‘applicable disaster date’ means, with re-  
20 spect to any federally declared disaster, the  
21 date on which such federally declared disaster  
22 occurs.”.

23           (b) EFFECTIVE DATE.—The amendment made by  
24 this section shall apply to discharges made on or after De-  
25 cember 31, 2011.

1 **SEC. 111. SPECIAL RULE FOR DETERMINING EARNED IN-**  
2 **COME OF INDIVIDUALS AFFECTED BY FEDER-**  
3 **ALLY DECLARED DISASTERS.**

4 (a) IN GENERAL.—Section 32 of the Internal Rev-  
5 enue Code of 1986 is amended by adding at the end the  
6 following new subsection:

7 “(n) SPECIAL RULE FOR DETERMINING EARNED IN-  
8 COME OF TAXPAYERS AFFECTED BY FEDERALLY DE-  
9 CLARED DISASTERS.—

10 “(1) IN GENERAL.—In the case of a qualified  
11 individual with respect to any federally declared dis-  
12 aster occurring during any calendar year beginning  
13 after 2011, if the earned income of the taxpayer for  
14 the taxable year which includes the applicable dis-  
15 aster date is less than the earned income of the tax-  
16 payer for the preceding taxable year, the credit al-  
17 lowed under this section and section 24(d) may, at  
18 the election of the taxpayer, be determined by sub-  
19 stituting—

20 “(A) such earned income for the preceding  
21 taxable year, for

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

24 “(2) QUALIFIED INDIVIDUAL.—For purposes of  
25 this subsection, the term ‘qualified individual’  
26 means, with respect to any federally declared dis-

1       aster occurring during in any calendar year begin-  
2       ning after 2011 and before 2016, any individual  
3       whose principal place of abode on the applicable dis-  
4       aster date, was located—

5               “(A) in any portion of a disaster area de-  
6       termined by the President to warrant individual  
7       or individual and public assistance under the  
8       Robert T. Stafford Disaster Relief and Emer-  
9       gency Assistance Act by reason of the federally  
10      declared disaster, or

11              “(B) in any portion of the disaster area  
12      not described in subparagraph (A) and such in-  
13      dividual was displaced from such principal place  
14      of abode by reason of the federally declared dis-  
15      aster.

16              “(3) OTHER DEFINITIONS.—For purposes of  
17      this paragraph—

18              “(A) FEDERALLY DECLARED DISASTER;  
19      DISASTER AREA.—The terms ‘federally declared  
20      disaster’ and ‘disaster area’ have the meanings  
21      given such terms under section 165(i)(5).

22              “(B) APPLICABLE DISASTER DATE.—The  
23      term ‘applicable disaster date’ means, with re-  
24      spect to any federally declared disaster, the

1 date on which such federally declared disaster  
2 occurs.

3 “(4) SPECIAL RULES.—

4 “(A) APPLICATION TO JOINT RETURNS.—

5 For purposes of paragraph (1), in the case of  
6 a joint return for a taxable year which includes  
7 the disaster date—

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

10 “(ii) the earned income of the tax-  
11 payer for the preceding taxable year shall  
12 be the sum of the earned income of each  
13 spouse for such preceding taxable year.

14 “(B) UNIFORM APPLICATION OF ELEC-  
15 TION.—Any election made under paragraph (1)  
16 shall apply with respect to both section 24(d)  
17 and this section.

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

23 “(D) NO EFFECT ON DETERMINATION OF  
24 GROSS INCOME, ETC.—Except as otherwise pro-  
25 vided in this subsection, this title shall be ap-

1           plied without regard to any substitution under  
2           paragraph (1).”.

3           (b) CHILD TAX CREDIT.—Section 24(d) of the Inter-  
4           nal Revenue Code of 1986 is amended by adding at the  
5           end the following new paragraph:

6                   “(5) SPECIAL RULE FOR DETERMINING  
7           EARNED INCOME OF TAXPAYERS AFFECTED BY FED-  
8           ERALLY DECLARED DISASTERS.—For election by  
9           qualified individuals with respect to certain federally  
10          declared disasters to substitute earned income from  
11          the preceding taxable year, see section 32(n).”.

12          (c) EFFECTIVE DATE.—The amendments made by  
13          this section shall apply to taxable years beginning after  
14          December 31, 2011.

15          **SEC. 112. INCREASE IN REHABILITATION CREDIT FOR**  
16                   **BUILDINGS IN 2012, 2013, 2014, AND 2015 DIS-**  
17                   **ASTER AREAS.**

18          (a) IN GENERAL.—Section 47 of the Internal Rev-  
19          enue Code of 1986 is amended by adding at the end the  
20          following new subsection:

21                   “(e) SPECIAL RULE FOR EXPENDITURES MADE IN  
22          CONNECTION WITH CERTAIN DISASTERS.—

23                   “(1) IN GENERAL.—In the case of qualified re-  
24          habilitation expenditures paid or incurred during the  
25          applicable period with respect to any qualified reha-



1 bilitated building or certified historic structure lo-  
2 cated in a disaster area with respect to any federally  
3 declared disaster occurring in, subsection (a) shall  
4 be applied—

5 “(A) by substituting ‘13 percent’ for ‘10  
6 percent’ in paragraph (1) thereof, and

7 “(B) by substituting ‘26 percent’ for ‘20  
8 percent’ in paragraph (2) thereof.

9 “(2) DEFINITIONS.—For purposes of this sub-  
10 section—

11 “(A) FEDERALLY DECLARED DISASTER;  
12 DISASTER AREA.—The terms ‘federally declared  
13 disaster’ and ‘disaster area’ have the meanings  
14 given such terms under section 165(i)(5).

15 “(B) APPLICABLE PERIOD.—The term ‘ap-  
16 plicable period’ means the period beginning on  
17 the applicable disaster date and ending on De-  
18 cember 31, 2015.

19 “(C) APPLICABLE DISASTER DATE.—The  
20 term ‘applicable disaster date’ means, with re-  
21 spect to any federally declared disaster, the  
22 date on which such federally declared disaster  
23 occurs.”.

1 (b) EFFECTIVE DATE.—The amendments made by  
 2 this section shall apply to amounts paid or incurred after  
 3 December 31, 2011.

4 **SEC. 113. ADVANCED REFUNDINGS OF CERTAIN TAX-EX-**  
 5 **EMPT BONDS.**

6 (a) IN GENERAL.—Section 149(d) of the Internal  
 7 Revenue Code of 1986 is amended by redesignating para-  
 8 graph (7) as paragraph (8) and by inserting after para-  
 9 graph (6) the following new paragraph:

10 “(7) SPECIAL RULE WITH RESPECT TO CER-  
 11 TAIN NATURAL DISASTERS.—

12 “(A) IN GENERAL.—With respect to a  
 13 bond described in subparagraph (C), one addi-  
 14 tional advance refunding after the date of the  
 15 enactment of this paragraph and before Janu-  
 16 ary 1, 2018, shall be allowed under the rules of  
 17 this subsection if—

18 “(i) the Governor of the State des-  
 19 ignates the advance refunding bond for  
 20 purposes of this subsection, and

21 “(ii) the requirements of subpara-  
 22 graph (E) are met.

23 “(B) CERTAIN PRIVATE ACTIVITY  
 24 BONDS.—With respect to a bond described in  
 25 subparagraph (C) which is an exempt facility

1 bond described in paragraph (1) or (2) of sec-  
2 tion 142(a), one advance refunding after the  
3 date of the enactment of this paragraph and be-  
4 fore January 1, 2018, shall be allowed under  
5 the applicable rules of this subsection (notwith-  
6 standing paragraph (2) thereof) if the require-  
7 ments of clauses (i) and (ii) of subparagraph  
8 (A) are met.

9 “(C) BONDS DESCRIBED.—A bond is de-  
10 scribed in this paragraph if, with respect to any  
11 federally declared disaster, such bond—

12 “(i) was outstanding on the applicable  
13 disaster date, and

14 “(ii) is issued by an applicable State  
15 or a political subdivision thereof.

16 “(D) AGGREGATE LIMIT.—The maximum  
17 aggregate face amount of bonds which may be  
18 designated under this subsection by the Gov-  
19 ernor of a State shall not exceed  
20 \$4,500,000,000.

21 “(E) ADDITIONAL REQUIREMENTS.—The  
22 requirements of this subparagraph are met with  
23 respect to any advance refunding of a bond de-  
24 scribed in subparagraph (C) if—

1           “(i) no advance refundings of such  
2 bond would be allowed under this title on  
3 or after the applicable disaster date,

4           “(ii) the advance refunding bond is  
5 the only other outstanding bond with re-  
6 spect to the refunded bond, and

7           “(iii) the requirements of section 148  
8 are met with respect to all bonds issued  
9 under this paragraph.

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

12           “(i) FEDERALLY DECLARED DIS-  
13 ASTER; DISASTER AREA.—The terms ‘fed-  
14 erally declared disaster’ and ‘disaster area’  
15 have the meanings given such terms under  
16 section 165(i)(5).

17           “(ii) APPLICABLE DISASTER DATE.—  
18 The term ‘applicable disaster date’ means,  
19 with respect to any federally declared dis-  
20 aster, the date on which such federally de-  
21 clared disaster occurs.

22           “(iii) APPLICABLE STATE.—The term  
23 ‘applicable State’ means, with respect to  
24 any federally declared disaster, any State

1                   in which a portion of the disaster area is  
2                   located.”.

3           (b) **EFFECTIVE DATE.**—The amendment made by  
4 this section shall apply to bonds issued after the date of  
5 the enactment of this Act.

6 **SEC. 114. QUALIFIED DISASTER AREA RECOVERY BONDS.**

7           (a) **IN GENERAL.**—Subpart A of part IV of sub-  
8 chapter B of chapter 1 of the Internal Revenue Code of  
9 1986 is amended by inserting after section 146 the fol-  
10 lowing new section:

11 **“SEC. 146A. QUALIFIED DISASTER AREA RECOVERY BONDS.**

12           “(a) **IN GENERAL.**—For purposes of this title, any  
13 qualified disaster area recovery bond shall—

14                   “(1) be treated as an exempt facility bond, and

15                   “(2) not be subject to section 146.

16           “(b) **QUALIFIED DISASTER AREA RECOVERY**  
17 **BOND.**—For purposes of this section, the term ‘qualified  
18 disaster area recovery bond’ means any bond issued as  
19 part of an issue if—

20                   “(1) 95 percent or more of the net proceeds of  
21 such issue are to be used for qualified project costs,

22                   “(2) such bond is issued by a State or any po-  
23 litical subdivision thereof any part of which is in a  
24 qualified disaster area,

1           “(3) the Governor of the issuing State des-  
2           ignates such bond for purposes of this section, and

3           “(4) such bond is issued after the date of the  
4           enactment of this section and before January 1,  
5           2017.

6           “(c) LIMITATION ON AMOUNT OF BONDS.—

7           “(1) IN GENERAL.—The maximum aggregate  
8           face amount of bonds which may be designated  
9           under this section by any State shall not exceed  
10          \$10,000,000,000.

11          “(2) MOVABLE PROPERTY.—No bonds shall be  
12          issued which are to be used for movable fixtures and  
13          equipment.

14          “(3) TREATMENT OF CURRENT REFUNDING  
15          BONDS.—Paragraph (1) shall not apply to any bond  
16          (or series of bonds) issued to refund a qualified dis-  
17          aster area recovery bond, if—

18                  “(A) the average maturity date of the issue  
19                  of which the refunding bond is a part is not  
20                  later than the average maturity date of the  
21                  bonds to be refunded by such issue,

22                  “(B) the amount of the refunding bond  
23                  does not exceed the outstanding amount of the  
24                  refunded bond, and

1           “(C) the net proceeds of the refunding  
2           bond are used to redeem the refunded bond not  
3           later than 90 days after the date of the  
4           issuance of the refunding bond.

5           For purposes of subparagraph (A), average maturity  
6           shall be determined in accordance with section  
7           147(b)(2)(A).

8           “(d) QUALIFIED PROJECT COSTS.—For purposes of  
9           this section, the term ‘qualified project costs’ means the  
10          cost of acquisition, construction, reconstruction, and ren-  
11          ovation of—

12           “(1) residential rental property (as defined in  
13           section 142(d)),

14           “(2) nonresidential real property (including  
15           fixed improvements associated with such property),

16           “(3) a facility described in paragraph (2) or (3)  
17           of section 142(a), or

18           “(4) public utility property (as defined in sec-  
19           tion 168(i)(10)),

20          which is located in a qualified disaster area and was dam-  
21          aged or destroyed by reason of a federally declared dis-  
22          aster.

23           “(e) SPECIAL RULES.—In applying this title to any  
24          qualified disaster area recovery bond, the following modi-  
25          fications shall apply:

1           “(1) Section 147(d) (relating to acquisition of  
2 existing property not permitted) shall be applied by  
3 substituting ‘50 percent’ for ‘15 percent’ each place  
4 it appears.

5           “(2) Section 148(f)(4)(C) (relating to exception  
6 from rebate for certain proceeds to be used to fi-  
7 nance construction expenditures) shall apply to the  
8 available construction proceeds of bonds issued  
9 under this section. For purposes of the preceding  
10 sentence, the following spending requirements shall  
11 apply in lieu of the requirements in clause (ii) of  
12 such section:

13           “(A) 40 percent of such available construc-  
14 tion proceeds are spent for the governmental  
15 purposes of the issue within the 2-year period  
16 beginning on the date the bonds are issued,

17           “(B) 60 percent of such proceeds are spent  
18 for such purposes within the 3-year period be-  
19 ginning on such date,

20           “(C) 80 percent of such proceeds are spent  
21 for such purposes within the 4-year period be-  
22 ginning on such date, and

23           “(D) 100 percent of such proceeds are  
24 spent for such purposes within the 5-year pe-  
25 riod beginning on such date.



1           “(3) Repayments of principal on financing pro-  
2           vided by the issue—

3                   “(A) may not be used to provide financing,  
4           and

5                   “(B) must be used not later than the close  
6           of the first semiannual period beginning after  
7           the date of the repayment to redeem bonds  
8           which are part of such issue.

9           The requirement of subparagraph (B) shall be treat-  
10          ed as met with respect to amounts received within  
11          5 years after the date of issuance of the issue (or,  
12          in the case of a refunding bond, the date of issuance  
13          of the original bond) if such amounts are used by  
14          the close of such 5 years to redeem bonds which are  
15          part of such issue.

16                  “(4) Section 57(a)(5) shall not apply.

17                  “(f) SEPARATE ISSUE TREATMENT OF PORTIONS OF  
18 AN ISSUE.—This section shall not apply to the portion of  
19 an issue which (if issued as a separate issue) would be  
20 treated as a qualified bond or as a bond that is not a  
21 private activity bond (determined without regard to para-  
22 graph (1)), if the issuer elects to so treat such portion.

23                  “(g) QUALIFIED DISASTER AREA; FEDERALLY DE-  
24 CLARED DISASTER.—

1           “(1) QUALIFIED DISASTER AREA.—The term  
 2           ‘qualified disaster area’ means any area determined  
 3           to warrant individual or individual and public assist-  
 4           ance from the Federal Government under the Robert  
 5           T. Stafford Disaster Relief and Emergency Assist-  
 6           ance Act by reason of a federally declared disaster  
 7           occurring during the period beginning after Decem-  
 8           ber 31, 2011, and before January 1, 2016.

9           “(2) FEDERALLY DECLARED DISASTER.—The  
 10           term ‘federally declared disaster’ has the meaning  
 11           given to such term under section 165(i)(5).”.

12           (b) CLERICAL AMENDMENT.—The table of sections  
 13           for subpart A of part IV of subchapter B of chapter 1  
 14           of such Code is amended by inserting after the item relat-  
 15           ing to section 146 the following new item:

                    “Sec. 146A. Qualified disaster area recovery bonds.”.

16           (c) EFFECTIVE DATE.—The amendments made by  
 17           this section shall apply to obligations issued after Decem-  
 18           ber 31, 2015.

19           **SEC. 115. ADDITIONAL LOW-INCOME HOUSING CREDIT AL-**  
 20                                      **LOCATIONS.**

21           (a) IN GENERAL.—Paragraph (3) of section 42(h) of  
 22           the Internal Revenue Code of 1986 (relating to limitation  
 23           on aggregate credit allowable with respect to projects lo-  
 24           cated in a State) is amended by adding at the end the  
 25           following new subparagraph:

1           “(J) INCREASE IN STATE HOUSING CREDIT  
2           FOR STATES DAMAGED BY NATURAL DISAS-  
3           TERS.—

4           “(i) IN GENERAL.—In the case of cal-  
5           endar year 2016, the State housing credit  
6           ceiling of each State any portion of which  
7           includes any portion of a qualifying dis-  
8           aster area shall be increased by so much of  
9           the aggregate housing credit dollar amount  
10          as does not exceed the applicable limitation  
11          allocated by the State housing credit agen-  
12          cy of such State for such calendar year to  
13          buildings located in qualifying disaster  
14          areas.

15          “(ii) APPLICABLE LIMITATION.—For  
16          purposes of clause (i), the applicable limi-  
17          tation is the greater of—

18                 “(I) \$8 multiplied by the popu-  
19                 lation of the qualifying disaster areas  
20                 in such State, or

21                 “(II) 50 percent of the State  
22                 housing credit ceiling (determined  
23                 without regard to this subparagraph)  
24                 for 2015.

1           “(iii) APPLICABLE PERCENTAGE.—  
2           For purposes of this section, the applicable  
3           percentage with respect to any building to  
4           which amounts allocated under clause (i)  
5           shall be determined under subsection  
6           (b)(2), except that subparagraph (A)  
7           thereof shall be applied by substituting  
8           ‘January 1, 2016’ for ‘January 1, 2015’.

9           “(iv) ALLOCATIONS TREATED AS  
10          MADE FIRST FROM ADDITIONAL ALLOCA-  
11          TION AMOUNT FOR PURPOSES OF DETER-  
12          MINING CARRYOVER.—For purposes of de-  
13          termining the unused State housing credit  
14          ceiling under subparagraph (C) for any  
15          calendar year, any increase in the State  
16          housing credit ceiling under clause (i) shall  
17          be treated as an amount described in  
18          clause (ii) of such subparagraph.

19          “(v) QUALIFYING DISASTER AREA.—  
20          For purposes of this subparagraph, the  
21          term ‘qualifying federally declared disaster  
22          area’ means—

23                 “(I) each county which is deter-  
24                 mined to warrant individual or indi-  
25                 vidual and public assistance from the

1 Federal Government under a quali-  
2 fying natural disaster declaration de-  
3 scribed in clause (vi)(I), and

4 “(II) each county not described  
5 in subclause (I) which is included in  
6 the geographical area covered by a  
7 qualifying natural disaster declaration  
8 described in subclause (II) or (III) of  
9 clause (vi).

10 “(vi) QUALIFYING NATURAL DISASTER  
11 DECLARATION.—For purposes of clause  
12 (v), the term ‘qualifying natural disaster  
13 declaration’ means—

14 “(I) a federally declared disaster  
15 (as defined in section 165(i)(5)) oc-  
16 ccurring during the period beginning  
17 after December 31, 2011, and before  
18 January 1, 2016,

19 “(II) a natural disaster declared  
20 by the Secretary of Agriculture in  
21 2011 due to damaging weather and  
22 other conditions relating to Hurricane  
23 Irene or Tropical Storm Lee under  
24 section 321(a) of the Consolidated

1 Farm and Rural Development Act (7  
2 U.S.C. 1961(a)), or

3 “(III) a major disaster or emer-  
4 gency designated by the President in  
5 2011 due to damaging weather and  
6 other conditions relating to Hurricane  
7 Irene or Tropical Storm Lee under  
8 the Robert T. Stafford Disaster Relief  
9 and Emergency Assistance Act (42  
10 U.S.C. 5121 et seq.).”.

11 (b) EFFECTIVE DATE.—The amendment made by  
12 this section shall take effect on the date of the enactment  
13 of this Act.

14 **SEC. 116. FACILITATION OF TRANSFER OF WATER LEASING**  
15 **AND WATER BY MUTUAL DITCH OR IRRIGA-**  
16 **TION COMPANIES IN DISASTER AREAS.**

17 (a) IN GENERAL.—Paragraph (12) of section 501(c)  
18 of the Internal Revenue Code of 1986 is amended by add-  
19 ing at the end the following new subparagraph:

20 “(I) TREATMENT OF MUTUAL DITCH OR  
21 IRRIGATION COMPANIES IN CERTAIN DISASTER  
22 AREAS.—

23 “(i) IN GENERAL.—In the case of a  
24 qualified mutual ditch or irrigation com-  
25 pany or like organization, subparagraph

1 (A) shall be applied without taking into ac-  
2 count any income received or accrued dur-  
3 ing the applicable period—

4 “(I) from the sale, lease, or ex-  
5 change of fee or other interests in real  
6 property, including interests in water,

7 “(II) from the sale or exchange  
8 of stock in a mutual ditch or irriga-  
9 tion company or like organization or  
10 contract rights for the delivery or use  
11 of water,

12 “(III) from the investment of  
13 proceeds from sales, leases, or ex-  
14 changes under subclauses (I) and (II),  
15 or

16 “(IV) from the United States, or  
17 a State or local government, resulting  
18 from the federally declared disaster.

19 except that any income received under sub-  
20 clause (I), (II), (III), or (IV) which is dis-  
21 tributed or expended for expenses (other  
22 than for operations, maintenance, and cap-  
23 ital improvements) of the qualified mutual  
24 ditch or irrigation company or like organi-  
25 zation shall be treated as nonmember in-

1           come in the year in which it is distributed  
2           or expended.

3           “(ii) QUALIFIED MUTUAL DITCH OR  
4           IRRIGATION COMPANY OR LIKE ORGANIZA-  
5           TION.—For purposes of this paragraph—

6                   “(I) IN GENERAL.—The term  
7                   ‘qualified mutual ditch or irrigation  
8                   company or like organization’ means  
9                   any mutual ditch or irrigation com-  
10                  pany or like organization that di-  
11                  verted, delivered, transported, stored,  
12                  or used its water for agricultural irri-  
13                  gation purposes on its own or through  
14                  its shareholders in a qualified disaster  
15                  area during any of calendar years  
16                  2012 through 2015.

17                  “(II) QUALIFIED ASSET.—The  
18                  term ‘qualified asset’ means any real  
19                  property or tangible personal property  
20                  used in the mutual ditch or irrigation  
21                  company’s (or like organization’s) sys-  
22                  tem.

23                  “(III) MULTIPLE AREAS.—Under  
24                  regulations, if the qualified assets of  
25                  any mutual ditch or irrigation com-



1           pany or like organization are located  
2           in more than 1 qualified disaster area,  
3           all such areas shall be treated as 1  
4           area and if more than 1 federally de-  
5           clared disaster is involved, the date on  
6           which the last of such disasters oc-  
7           curred shall be the date used for pur-  
8           poses of this paragraph.

9           “(iii) APPLICABLE PERIOD.—For pur-  
10          poses of this paragraph, the term ‘applica-  
11          ble period’ means the taxable year in which  
12          the federally declared disaster occurred  
13          and the 5 following taxable years.

14          “(iv) OTHER DEFINITIONS.—

15                 “(I)     QUALIFIED     DISASTER  
16                 AREA.—The term ‘qualified disaster  
17                 area’ means any area determined to  
18                 warrant individual or individual and  
19                 public assistance from the Federal  
20                 Government under the Robert T.  
21                 Stafford Disaster Relief and Emer-  
22                 gency Assistance Act by reason of a  
23                 federally declared disaster occurring  
24                 during the period beginning on Janu-

1                   ary 1, 2012, and ending on December  
2                   31, 2015.

3                   “(II)   FEDERALLY   DECLARED  
4                   DISASTER.—The term ‘federally de-  
5                   clared disaster’ has the meaning given  
6                   to such term under section  
7                   165(i)(5).”.

8           (b) EFFECTIVE DATE.—The amendment made by  
9 subsection (a) shall apply to taxable years ending after  
10 December 31, 2011.

11   **TITLE II—OTHER DISASTER TAX**  
12                   **RELIEF PROVISIONS**

13   **SEC. 201. EXCLUSION FOR DISASTER MITIGATION PAY-**  
14                   **MENTS RECEIVED FROM STATE AND LOCAL**  
15                   **GOVERNMENTS.**

16           (a) IN GENERAL.—Paragraph (2) of section 139(g)  
17 of the Internal Revenue Code of 1986 is amended by in-  
18 serting “, or any other amount which is paid by a State  
19 or local government or agency or instrumentality thereof,”  
20 after “(as in effect on such date)”.

21           (b) EFFECTIVE DATE.—The amendment made by  
22 this section shall apply to payments received after the date  
23 of the enactment of this Act.

1 **SEC. 202. NATURAL DISASTER FUNDS.**

2 (a) NATURAL DISASTER FUND.—Subpart C of part  
3 II of subchapter E of chapter 1 of the Internal Revenue  
4 Code of 1986 is amended by inserting after section 468B  
5 the following new section:

6 **“SEC. 468C. SPECIAL RULES FOR NATURAL DISASTER**  
7 **FUNDS.**

8 “(a) IN GENERAL.—If a qualified taxpayer elects the  
9 application of this section, there shall be allowed as a de-  
10 duction for any taxable year the amount of payments  
11 made by the taxpayer to a natural disaster fund during  
12 such taxable year.

13 “(b) NATURAL DISASTER FUND.—The term ‘natural  
14 disaster fund’ means a fund meeting the following require-  
15 ments:

16 “(1) DESIGNATION.—The taxpayer des-  
17 ignates—

18 “(A) the fund as a natural disaster fund in  
19 the manner prescribed by the Secretary, and

20 “(B) the line or lines of business to which  
21 the fund applies.

22 “(2) SEGREGATION.—The assets of the fund  
23 are segregated from other assets of the taxpayer.

24 “(3) INVESTMENTS.—

1           “(A) The assets of the fund are main-  
2           tained in one or more qualified accounts and  
3           are invested only in—

4                   “(i) deposits with banks whose depos-  
5                   its are insured subject to applicable limits  
6                   by the Federal Deposit Insurance Corpora-  
7                   tion, or

8                   “(ii) in stock or other securities in  
9                   which the fund would be permitted to in-  
10                  vest if it were a capital construction fund  
11                  subject to the investment limitations of  
12                  paragraphs (2) and (3) of section  
13                  7518(b)(2).

14                  “(B) All investment earnings (including  
15                  gains and losses) from investments of the fund  
16                  become part of the fund.

17                  “(4) CONTRIBUTIONS TO THE FUND.—The  
18                  fund does not accept any deposits (or other  
19                  amounts) other than cash payments with respect to  
20                  which a deduction is allowable under subsection (a)  
21                  and earnings (including gains and losses) from fund  
22                  investments.

23                  “(5) PURPOSE.—The fund is established and  
24                  maintained for the purposes of covering costs, ex-  
25                  penses, and losses (including business interruption

1 losses) resulting from a Federally declared natural  
2 disaster to the extent such costs are not covered by  
3 insurance.

4 “(6) MAXIMUM BALANCE.—The balance of the  
5 fund does not exceed the lesser of—

6 “(A) the sum of—

7 “(i) 150 percent of the maximum de-  
8 ductible, and

9 “(ii) 100 percent of the maximum co-  
10 insurance (to the extent not taken into ac-  
11 count in clause (i)),

12 that, in the case of a Federally declared natural  
13 disaster resulting in losses, the taxpayer could  
14 be expected to pay with respect to property and  
15 business interruption insurance maintained by  
16 the taxpayer for the line of business to which  
17 the fund applies and that would cover losses re-  
18 sulting from a Federally declared natural dis-  
19 aster, and

20 “(B) the maximum loss under any insur-  
21 ance coverage that the taxpayer could reason-  
22 ably expect to occur for the line of business in  
23 the case of a severe natural disaster.

24 “(7) FINANCIAL STATEMENTS.—The fund or  
25 the balance of the fund is recorded in the taxpayer’s

1 financial statements in accordance with generally ac-  
2 cepted accounting principles and not as a current  
3 asset and the footnotes to the taxpayer's financial  
4 statements include a short description of the fund  
5 and its purposes.

6 “(8) INSURANCE.—The taxpayer property in-  
7 surance maintained by the qualified taxpayer applies  
8 to 75 percent or more of the property used—

9 “(A) in the qualified taxpayer's line of  
10 business to which the fund relates, and

11 “(B) in the United States.

12 “(c) QUALIFIED TAXPAYER.—For purposes of this  
13 section, the term ‘qualified taxpayer’ means any taxpayer  
14 that—

15 “(1) actively conducts a trade or business, and

16 “(2) maintains property insurance with respect  
17 to such trade or business that insures against losses  
18 in natural disasters.

19 “(d) FAILURE TO MEET REQUIREMENTS.—If a fund  
20 that was a natural disaster fund ceases to meet any of  
21 the requirements of subsection (b) or a taxpayer who has  
22 a natural disaster fund ceases to meet the requirement  
23 of subsection (c), the entire balance of the fund shall be  
24 deemed distributed in a nonqualified distribution at the  
25 time the fund ceases to meet such requirements.

1 “(e) TAXATION OF FUND.—

2 “(1) IN GENERAL.—The earnings (including  
3 gains and losses) from the investment and reinvest-  
4 ment of amounts held in the fund shall not be taken  
5 into account in determining the gross income of the  
6 taxpayer that owns the fund.

7 “(2) NOT A SEPARATE TAXPAYER.—A natural  
8 disaster fund shall not be considered a separate tax-  
9 payer for purposes of this subtitle.

10 “(f) TAXATION OF DISTRIBUTIONS FROM THE  
11 FUND.—

12 “(1) QUALIFIED DISTRIBUTIONS.—For pur-  
13 poses of this chapter, qualified distributions shall be  
14 treated in the same manner as proceeds from prop-  
15 erty or business interruption insurance.

16 “(2) NONQUALIFIED DISTRIBUTIONS.—

17 “(A) IN GENERAL.—In the case of any  
18 taxable year for which there is a nonqualified  
19 distribution—

20 “(i) such nonqualified distributions  
21 shall be excluded from the gross income of  
22 the taxpayer, and

23 “(ii) the tax imposed by this chapter  
24 (determined without regard to this sub-  
25 section) shall be increased by the product

1 of the amount of such nonqualified dis-  
2 tribution and the highest rate of tax speci-  
3 fied in section 1 (section 11 in the case of  
4 a corporation).

5 “(B) TAX BENEFIT RULE; COORDINATION  
6 WITH DEDUCTION FOR NET OPERATING  
7 LOSSES.—Rules similar to the rules of subpara-  
8 graphs (B) and (C) of section 7518(g)(6) shall  
9 apply for purposes of this paragraph.

10 “(3) ADDITIONAL TAX.—The tax imposed by  
11 this chapter for any taxable year on any taxpayer  
12 that a owns natural disaster fund shall be increased  
13 by the greater of—

14 “(A) 20 percent of the amount of any non-  
15 qualified distributions from the fund in the tax-  
16 able year, and

17 “(B) an amount equal to interest, at the  
18 underpayment rate established under section  
19 6621, on the nonqualified distribution from the  
20 time the amount is added to the fund to the  
21 time the amount is distributed.

22 “(4) INTEREST CALCULATION.—For purposes  
23 of calculating interest under paragraph (3)(B)—

24 “(A) all investment earnings (including  
25 gains or losses) in taxable year shall be treated



1 as added to the fund on the last day of the tax-  
2 able year, and

3 “(B) amounts distributed from the fund  
4 shall be treated as distributed on a first-in,  
5 first-out basis.

6 “(g) DEFINITIONS.—For purposes of this section—

7 “(1) FEDERALLY DECLARED NATURAL DIS-  
8 ASTER.—The term ‘Federally declared natural dis-  
9 aster’ means a natural disaster that is determined  
10 by Presidential declaration under the Robert T.  
11 Stafford Disaster Relief and Emergency Assistance  
12 Act to warrant individual or individual and public  
13 assistance under such Act.

14 “(2) NONQUALIFIED DISTRIBUTION.—The term  
15 ‘nonqualified distribution’ means a distribution from  
16 a natural disaster fund other than a qualified dis-  
17 tribution.

18 “(3) QUALIFIED ACCOUNT.—The term ‘quali-  
19 fied account’ means an account with a bank (as de-  
20 fined in section 581) or a brokerage account but  
21 only if the investments of such accounts are limited  
22 to those permitted by subsection (b)(3) and no in-  
23 vestments are made in a related person (as defined  
24 in section 465(b)(3)(C)) to the taxpayer.

25 “(4) QUALIFIED DISTRIBUTION.—

1           “(A) IN GENERAL.—The term ‘qualified  
2 distribution’ means with respect to natural dis-  
3 aster fund an amount equal to the excess of—

4           “(i) costs, expenses, and losses (in-  
5 cluding losses of a type reimbursable by  
6 proceeds of business interruption insur-  
7 ance) incurred by the taxpayer as a result  
8 of the Federally declared natural disaster  
9 with respect to the line or lines of business  
10 for which the fund was designated, over

11           “(ii) the proceeds of property and  
12 business interruption insurance paid for  
13 the benefit of the taxpayer with respect to  
14 costs, expenses, and losses described in  
15 clause (i).

16           “(B) LIMITATION.—A distribution from a  
17 natural disaster fund shall not be treated as a  
18 qualified distribution if such distribution is allo-  
19 cated to a Federally declared natural disaster  
20 occurring more than 3 years before the date of  
21 such distribution.

22           “(h) SPECIAL RULES.—For purposes of this sec-  
23 tion—

24           “(1) NO DOUBLE COUNTING.—Any portion of  
25 any deductible or coinsurance taken into account

1 under subsection (b)(6) in determining the max-  
2 imum balance for a natural disaster fund shall not  
3 be taken into account in determining the maximum  
4 balance for another natural disaster fund.

5 “(2) EXCESS BALANCE.—

6 “(A) IN GENERAL.—If the balance of a  
7 natural disaster fund exceeds the maximum bal-  
8 ance permitted by subsection (b)(6) by reason  
9 of investment earnings or a reduction in the  
10 maximum balance, the account shall not cease  
11 to be a natural disaster fund as the result of  
12 exceeding such limit if the excess is distributed  
13 within 120 days of the date that such excess  
14 first occurred.

15 “(B) TREATMENT OF DISTRIBUTIONS OF  
16 EXCESS BALANCE.—In the case of any distribu-  
17 tion of the excess balance of a natural disaster  
18 fund within 120 days of the date that such ex-  
19 cess first occurred—

20 “(i) paragraphs (2) and (3) of sub-  
21 section (f) shall not apply to the distribu-  
22 tion of such excess if distributed within  
23 such period, and

24 “(ii) the amount of such distribution  
25 shall be included in the gross income of the

1 taxpayer in the year such distribution was  
2 made.

3 “(C) ANTI-ABUSE RULE.—Subparagraph  
4 (B) shall not apply in the case of any reduction  
5 in the maximum balance resulting from any ac-  
6 tion of the taxpayer the primary purpose of  
7 which was to reduce the maximum balance to  
8 enable a distribution that would not be subject  
9 to the maximum tax rate calculation or the ad-  
10 ditional tax.

11 “(3) CERTAIN ASSET ACQUISITIONS.—The  
12 transfer of a natural disaster fund (or the portion of  
13 a natural disaster fund) from one person to another  
14 person shall not constitute a nonqualified distribu-  
15 tion if—

16 “(A) such transfer is part of a trans-  
17 action—

18 “(i) to which section 381 applies,

19 “(ii) the transferee acquires substan-  
20 tially all of the assets of the transferor  
21 used in the line or lines of business for  
22 which the fund was designated,

23 “(iii) the transferee acquires substan-  
24 tially all of the assets of the transferor  
25 used in one, but not all, of the lines of

1 business for which the fund was des-  
2 ignated, or

3 “(iv) the transferee acquires substan-  
4 tially all of the transferor’s assets located  
5 in a geographical area and used in a line  
6 of business for which the fund was des-  
7 ignated, and

8 “(B) the transferee elects to treat the ac-  
9 quired natural disaster fund (or portion there-  
10 of) as a natural disaster fund for the line of  
11 business for which the transferor had previously  
12 designated the fund and as a continuation of  
13 the fund (or pro rata portion thereof) for pur-  
14 poses of determining the additional tax imposed  
15 by subsection (f)(4).

16 “(i) REGULATIONS.—The Secretary shall prescribe  
17 such regulations as may be necessary or appropriate to  
18 carry out the provisions of this section.”.

19 (b) CLERICAL AMENDMENT.—The table of sections  
20 for subpart C of part II of subchapter E of chapter 1 of  
21 the Internal Revenue Code of 1986 is amended by insert-  
22 ing after the item relating to section 468B the following  
23 new item:

“Sec. 468C. Special rules for natural disaster funds.”.

1 (c) EFFECTIVE DATE.—The amendment made by  
 2 this section shall apply to taxable years beginning after  
 3 December 31, 2014.

4 **TITLE III—PERMANENT DIS-**  
 5 **ASTER TAX RELIEF PROVI-**  
 6 **SIONS**

7 **SEC. 301. INCREASE PROPERTY REPLACEMENT PERIOD TO**  
 8 **5 YEARS.**

9 (a) IN GENERAL.—Section 1033(a)(2) of the Internal  
 10 Revenue Code of 1986 is amended by adding at the end  
 11 the following:

12 “(F) FEDERALLY DECLARED DISASTER.—

13 “(i) IN GENERAL.—In the case of con-  
 14 verted property that is located in the dis-  
 15 aster area of a federally declared disaster  
 16 occurring during a calendar year beginning  
 17 after 2011 and that is damaged or de-  
 18 stroyed by the federally declared disaster,  
 19 subparagraph (B)(i) shall be applied by  
 20 substituting ‘5 years’ for ‘2 years’.

21 “(ii) FEDERALLY DECLARED DIS-  
 22 ASTER AND DISASTER AREA.—For pur-  
 23 poses of clause (i), the terms ‘federally de-  
 24 clared disaster’ and ‘disaster area’ have

1           the meanings given such terms under sec-  
2           tion 165(i)(5).”.

3           (b)       CONFORMING        AMENDMENT.—Section  
4 1033(h)(1)(B) of the Internal Revenue Code of 1986 is  
5 amended by striking “4 years” and inserting “5 years”.

6           (c) EFFECTIVE DATE.—The amendments made by  
7 this section shall apply to disasters declared after Decem-  
8 ber 31, 2015.

9   **SEC. 302. WAGE CREDIT FOR SPECIFIED DISASTER-DAM-**  
10                                   **AGED BUSINESSES.**

11          (a) IN GENERAL.—Subpart D of part IV of sub-  
12 chapter A of chapter 1 of the Internal Revenue Code of  
13 1986 is amended by adding at the end the following new  
14 section:

15   **“SEC. 45S. WAGE CREDIT FOR SPECIFIED DISASTER-DAM-**  
16                                   **AGED BUSINESSES.**

17          “(a) GENERAL RULE.—For purposes of section 38,  
18 in the case of an eligible employer, the specified disaster-  
19 damaged business wage credit for any taxable year is an  
20 amount equal to 40 percent of the qualified wages for such  
21 year.

22          “(b) QUALIFIED WAGES DEFINED.—For purposes of  
23 this section—

24               “(1) IN GENERAL.—The term ‘qualified wages’  
25               means, with respect to any covered employee, wages

1       paid or incurred by the eligible employer to the em-  
2       ployee who is not able to work at the disaster-dam-  
3       aged business of the employer during an inoper-  
4       ability period because of a federally declared dis-  
5       aster. Such term shall not include amounts paid or  
6       incurred for overtime compensation.

7               “(2) LIMITATIONS.—

8               “(A) LIMITATION ON WAGES TAKEN INTO  
9       ACCOUNT.—The amount of the qualified wages  
10       with respect to any individual which may be  
11       taken into account with respect to a federally  
12       declared disaster shall not exceed \$6,000.

13              “(B) INOPERABILITY PERIOD.—The inop-  
14       erability period with respect to a federally de-  
15       clared disaster is the period beginning with the  
16       first day the trade or business is rendered inop-  
17       erable due to damage from the federally de-  
18       clared disaster and ending on the earlier of—

19                   “(i) the last day on which the trade or  
20                   business is inoperable, or

21                   “(ii) 16 weeks after the first day of  
22                   such disaster.

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

24                   “(1) ELIGIBLE EMPLOYER.—



1           “(A) IN GENERAL.—The term ‘eligible em-  
2           ployer’ means, with respect to any taxable year,  
3           any employer which—

4                   “(i) employed an average of less than  
5                   200 employees on business days during  
6                   such taxable year, and

7                   “(ii) has a disaster-damaged business.

8           “(B) DISASTER-DAMAGED BUSINESS.—The  
9           term ‘disaster-damaged business’ means a place  
10          of business within a disaster area which is ren-  
11          dered inoperable due to damage from the feder-  
12          ally declared disaster.

13          “(C) CONTROLLED GROUPS.—For pur-  
14          poses of this section, all persons treated as a  
15          single employer under subsection (b), (c), (m),  
16          or (o) of section 414 shall be treated as a single  
17          employer.

18          “(2) COVERED EMPLOYEE.—The term ‘covered  
19          employee’ means, with respect to an eligible em-  
20          ployer, an individual—

21                   “(A) whose principal place of employment  
22                   is in a disaster area with respect to a federally  
23                   declared disaster, and

1           “(B) who has been employed by the em-  
2           ployer for more than 30 days before the first  
3           day of the federally declared disaster.

4           “(3) **FEDERALLY DECLARED DISASTER AND**  
5           **DISASTER AREA.**—For purposes of clause (i), the  
6           terms ‘federally declared disaster’ and ‘disaster area’  
7           have the meanings given such terms under section  
8           165(i)(5).”.

9           **(b) ALLOWANCE AS GENERAL BUSINESS CREDIT.**—  
10          Section 38(b) of the Internal Revenue Code of 1986 is  
11          amended by striking “plus” at the end of paragraph (35),  
12          by striking the period at the end of paragraph (36) and  
13          inserting “, plus”, and by adding at the end the following:

14                 “(37) the specified disaster-damaged business  
15                 wage credit determined under section 45S(a).”.

16          **(c) DENIAL OF DOUBLE BENEFIT.**—Subsection (a)  
17          of section 280C of the Internal Revenue Code of 1986 is  
18          amended by inserting “45S(a),” after “45P(a)”.

19          **(d) CLERICAL AMENDMENT.**—The table of contents  
20          for subpart D of part IV of subchapter A of chapter 1  
21          of the Internal Revenue Code of 1986 is amended by add-  
22          ing at the end the following new item:

          “Sec. 45S. Wage credit for specified disaster-damaged businesses.”.

23          **(e) EFFECTIVE DATE.**—The amendments made by  
24          this section shall apply to taxable years beginning after  
25          December 31, 2015.

1 **SEC. 303. DISASTER-RELATED MEDICAL EXPENSES.**

2 (a) IN GENERAL.—Section 213 of the Internal Rev-  
3 enue Code of 1986 is amended by adding at the end the  
4 following new subsection:

5 “(g) DISASTER-RELATED MEDICAL EXPENSES.—

6 “(1) IN GENERAL.—In the case of expenses di-  
7 rectly related to an injury caused by a federally de-  
8 clared disaster occurring during the taxable year or  
9 the preceding taxable year, there shall be allowed a  
10 separate deduction under this section, which shall be  
11 determined under this section (without regard to  
12 this subsection), except that—

13 “(A) subsection (a) shall be applied by  
14 substituting ‘zero percent’ for ‘10 percent’, and

15 “(B) subsection (f) shall be applied by sub-  
16 stituting ‘zero percent’ for ‘7.5 percent’.

17 “(2) COORDINATION.—Any expense taken into  
18 account under paragraph (1) shall not be treated as  
19 an expense taken into account under this section  
20 (without regard to this section).

21 “(3) FEDERALLY DECLARED DISASTER.—For  
22 purposes of this subsection, the term ‘federally de-  
23 clared disaster’ shall have the meaning given such  
24 term under section 165(i)(5).”.

1 (b) EFFECTIVE DATE.—The amendment made by  
2 subsection (a) shall apply with respect to disasters occur-  
3 ring after the date of the enactment of this Act.

4 **SEC. 304. EXPENSING OF QUALIFIED DISASTER EXPENSES.**

5 (a) IN GENERAL.—Section 198A(b)(2)(A)(ii) of the  
6 Internal Revenue Code of 1986, as added by section 101  
7 of this Act, is amended by striking “and before January  
8 1, 2016,”.

9 (b) EFFECTIVE DATE.—The amendment made by  
10 this section shall apply to amounts paid or incurred after  
11 December 31, 2015.

12 **SEC. 305. LOSSES ATTRIBUTABLE TO DISASTERS.**

13 (a) IN GENERAL.—Section 165(h)(3)(B)(i)(I) of the  
14 Internal Revenue Code of 1986, as amended by section  
15 103 of this Act, is amended by striking “the period begin-  
16 ning after December 31, 2011, and before January 1,  
17 2016,” and inserting “any period beginning after Decem-  
18 ber 31, 2011,”.

19 (b) EFFECTIVE DATE.—The amendment made by  
20 this section shall apply to disasters declared in taxable  
21 years beginning after December 31, 2015.

1 **SEC. 306. NET OPERATING LOSSES ATTRIBUTABLE TO DIS-**  
2 **ASTERS.**

3 (a) IN GENERAL.—Section 172(i)(1)(A)(i)(I) of the  
4 Internal Revenue Code of 1986 is amended by striking  
5 “and before January 1, 2016,”.

6 (b) EFFECTIVE DATE.—The amendment made by  
7 this section shall apply to disasters declared in taxable  
8 years beginning after December 31, 2015.

9 **SEC. 307. SPECIAL RULES FOR USE OF RETIREMENT FUNDS**  
10 **IN CONNECTION WITH FEDERALLY DE-**  
11 **CLARED DISASTERS.**

12 (a) WITHDRAWALS.—Section 72(t)(11)(A) of the In-  
13 ternal Revenue Code of 1986, as amended by section 108  
14 of this Act, is amended by striking “2011 and before Jan-  
15 uary 1, 2016,” and inserting “2011,”.

16 (b) LOANS.—Section 72(p)(6)(C)(ii) of such Code is  
17 amended by striking “and ending on December 31, 2016”.

18 (c) EFFECTIVE DATE.—The amendments made by  
19 this section shall apply to distributions with respect to dis-  
20 aster declared after December 31, 2015.

21 **SEC. 308. ADDITIONAL EXEMPTION FOR HOUSING QUALI-**  
22 **FIED DISASTER DISPLACED INDIVIDUALS.**

23 (a) IN GENERAL.—Section 151(f)(3)(B)(i) of the In-  
24 ternal Revenue Code of 1986, as amended by section 109  
25 of this Act, is amended by striking “and before 2016”.

1 (b) EFFECTIVE DATE.—The amendment made by  
2 this section shall apply to taxable years beginning after  
3 December 31, 2015.

4 **SEC. 309. EXCLUSIONS OF CERTAIN CANCELLATIONS OF IN-**  
5 **DEBTEDNESS BY REASON OF DISASTERS.**

6 (a) IN GENERAL.—Section 108(j)(3) of the Internal  
7 Revenue Code of 1986, as amended by section 110 of this  
8 Act, is amended by striking “and before 2016”.

9 (b) EFFECTIVE DATE.—The amendment made by  
10 this section shall apply to discharges made on or after De-  
11 cember 31, 2015.

12 **SEC. 310. SPECIAL RULE FOR DETERMINING EARNED IN-**  
13 **COME OF INDIVIDUALS AFFECTED BY FEDER-**  
14 **ALLY DECLARED DISASTERS.**

15 (a) IN GENERAL.—Section 32(n)(2) of the Internal  
16 Revenue Code of 1986, as amended by section 111 of this  
17 Act, is amended by striking “and before 2016”.

18 (b) EFFECTIVE DATE.—The amendment made by  
19 this section shall apply to taxable years beginning after  
20 December 31, 2015.

21 **SEC. 311. QUALIFIED DISASTER AREA RECOVERY BONDS.**

22 (a) IN GENERAL.—Section 146A(b)(4) of the Inter-  
23 nal Revenue Code of 1986, as amended by section 114  
24 of this Act, is further amended by striking “and before  
25 January 1, 2017”.

1 (b) EFFECTIVE DATE.—The amendment made by  
2 this section shall apply to obligations issued after Decem-  
3 ber 31, 2015.

4 **SEC. 312. ADDITIONAL LOW-INCOME HOUSING CREDIT AL-**  
5 **LOCATIONS.**

6 (a) IN GENERAL.—Section 42(h)(3)(J) of the Inter-  
7 nal Revenue Code of 1986, as amended by section 115  
8 of this Act, is amended—

9 (1) in clause (i) by striking “In the case of cal-  
10 endar year 2016,” and inserting “In the case of a  
11 calendar year beginning after 2015,”

12 (2) in clause (ii)(II) by striking “2015” and in-  
13 serting “the preceding calendar year”, and

14 (3) in clause (iii) by striking “substituting ‘Jan-  
15 uary 1 of the calendar year in which the taxable  
16 year ends’ for ‘January 1, 2015’”.

17 (b) EFFECTIVE DATE.—The amendments made by  
18 this section shall take effect on the date of the enactment  
19 of this Act.

○