DECEMBER 15, 2015

**RULES COMMITTEE PRINT 114-40**

**TEXT OF HOUSE AMENDMENT #2 TO THE SENATE AMENDMENT TO H.R. 2029, MILITARY CONSTRUCTION AND VETERANS AFFAIRS AND RELATED AGENCIES APPROPRIATIONS ACT, 2016**

**[Showing the text of the Protecting Americans from Tax Hikes Act of 2015.]**

At the end of House amendment #1, insert the following:

# DIVISION Q—PROTECTING AMERICANS FROM TAX HIKES ACT OF 2015

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

(a) SHORT TITLE.—This division may be cited as the ‘‘Protecting Americans from Tax Hikes Act of 2015’’.

(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this division an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

(c) TABLE OF CONTENTS.—The table of contents for this division is as follows:

Subtitle B—Real Estate Investment Trusts



Subtitle C—Additional Provisions



Subtitle D—Revenue Provisions



TITLE IV—TAX ADMINISTRATION

Subtitle A—Internal Revenue Service Reforms

# TITLE I—EXTENDERS

## Subtitle A—Permanent Extensions

### PART 1—TAX RELIEF FOR FAMILIES AND INDIVIDUALS

**SEC. 101. ENHANCED CHILD TAX CREDIT MADE PERMANENT.**

(a) IN GENERAL.—Section 24(d)(1)(B)(i) is amended by striking "$10,000" and inserting "$3,000".

(b) CONFORMING AMENDMENT.—Section 24(d) is amended by striking paragraphs (3) and (4).

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

**SEC. 102. ENHANCED AMERICAN OPPORTUNITY TAX CREDIT MADE PERMANENT.**

(a) IN GENERAL.—Section 25A(i) is amended by striking "and before 2018".

(b) TREATMENT OF POSSESSIONS.—Section 1004(c)(1) of division B of the American Recovery and Reinvestment Tax Act of 2009 by striking "and before 2018" each place it appears.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

**SEC. 103. ENHANCED EARNED INCOME TAX CREDIT MADE PERMANENT.**

(a) INCREASE IN CREDIT PERCENTAGE FOR 3 OR MORE QUALIFYING CHILDREN MADE PERMANENT.—Section 32(b)(1) is amended to read as follows:

"(1) PERCENTAGES.—The credit percentage and the phaseout percentage shall be determined as follows:

| "In the case of an eligible individual with: | The credit percentage is: | The phaseout percentage is: |
|---|---|---|
| 1 qualifying child | 34 | 15.98 |
| 2 qualifying children | 40 | 21.06 |
| 3 or more qualifying children | 45 | 21.06 |
| No qualifying children | 7.65 | 7.65". |

(b) REDUCTION OF MARRIAGE PENALTY MADE PERMANENT.—

(1) IN GENERAL.—Section 32(b)(2)(B) is amended to read as follows:

"(B) JOINT RETURNS.—

"(i) IN GENERAL.—In the case of a joint return filed by an eligible individual and such individual's spouse, the phaseout amount determined under subparagraph (A) shall be increased by $5,000.

"(ii) INFLATION ADJUSTMENT.—In the case of any taxable year beginning after 2015, the $5,000 amount in clause

(i) shall be increased by an amount equal to—

"(I) such dollar amount, multiplied by

"(II) the cost of living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins determined by substituting 'calendar year 2008' for 'calendar year 1992' in subparagraph (B) thereof.

"(iii) ROUNDING.—Subparagraph (A) of subsection (j)(2) shall apply after taking into account any increase under clause (ii).".

(c) CONFORMING AMENDMENT.—Section 32(b) is amended by striking paragraph (3).

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2015.

**SEC. 104. EXTENSION AND MODIFICATION OF DEDUCTION FOR CERTAIN EXPENSES OF ELEMENTARY AND SECONDARY SCHOOL TEACHERS.**

(a) DEDUCTION MADE PERMANENT.—Section 62(a)(2)(D) is amended by striking "In the case of taxable years beginning during 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, or 2014, the deductions'' and inserting ''The deductions''.

(b) INFLATION ADJUSTMENT.—Section 62(d) is amended by adding at the end the following new paragraph:

''(3) INFLATION ADJUSTMENT.—In the case of any taxable year beginning after 2015, the $250 amount in subsection (a)(2)(D) shall be increased by an amount equal to—

''(A) such dollar amount, multiplied by

''(B) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 2014' for 'calendar year 1992' in subparagraph (B) thereof.

Any increase determined under the preceding sentence shall be rounded to the nearest multiple of $50.''.

(c) PROFESSIONAL DEVELOPMENT EXPENSES.—Section 62(a)(2)(D) is amended—

(1) by striking ''educator in connection'' and all that follows and inserting ''educator—'', and

(2) by inserting at the end the following:

"(i) by reason of the participation of the educator in professional development courses related to the curriculum in which the educator provides instruction or to the students for which the educator provides instruction, and

"(ii) in connection with books, supplies (other than nonathletic supplies for courses of instruction in health or physical education), computer equipment (including related software and services) and other equipment, and supplementary materials used by the eligible educator in the classroom.".

(d) EFFECTIVE DATES.—

(1) EXTENSION.—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 2014.

(2) MODIFICATIONS.—The amendments made by subsections (b) and (c) shall apply to taxable years beginning after December 31, 2015.

**SEC. 105. EXTENSION OF PARITY FOR EXCLUSION FROM INCOME FOR EMPLOYER-PROVIDED MASS TRANSIT AND PARKING BENEFITS.**

(a) MASS TRANSIT AND PARKING PARITY.—Section 132(f)(2) is amended—

(1) by striking "$100" in subparagraph (A) and inserting "$175", and

(2) by striking the last sentence.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to months after December 31, 2014.

**SEC. 106. EXTENSION OF DEDUCTION OF STATE AND LOCAL GENERAL SALES TAXES.**

(a) IN GENERAL.—Section 164(b)(5) is amended by striking subparagraph (I).

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

## PART 2—INCENTIVES FOR CHARITABLE GIVING

**SEC. 111. EXTENSION AND MODIFICATION OF SPECIAL RULE FOR CONTRIBUTIONS OF CAPITAL GAIN REAL PROPERTY MADE FOR CONSERVATION PURPOSES.**

(a) MADE PERMANENT.—

(1) INDIVIDUALS.—Section 170(b)(1)(E) is amended by striking clause (vi).

(2) CORPORATIONS.—Section 170(b)(2)(B) is amended by striking clause (iii).

(b) CONTRIBUTIONS OF CAPITAL GAIN REAL PROPERTY MADE FOR CONSERVATION PURPOSES BY NATIVE CORPORATIONS.—

(1) IN GENERAL.—Section 170(b)(2) is amended by redesignating subparagraph (C) as subparagraph (D), and by inserting after subparagraph (B) the following new subparagraph:

"(C) QUALIFIED CONSERVATION CONTRIBUTIONS BY CERTAIN NATIVE CORPORATIONS.—

"(i) IN GENERAL.—Any qualified conservation contribution (as defined in subsection (h)(1)) which—

"(I) is made by a Native Corporation, and

"(II) is a contribution of property which was land conveyed under the Alaska Native Claims Settlement Act,

shall be allowed to the extent that the aggregate amount of such contributions does not exceed the excess of the taxpayer's taxable income over the amount of charitable contributions allowable under subparagraph (A).

"(ii) CARRYOVER.—If the aggregate amount of contributions described in clause (i) exceeds the limitation of clause (i), such excess shall be treated (in a manner consistent with the rules of subsection (d)(2)) as a charitable contribution to which clause (i) applies in each of the 15 succeeding taxable years in order of time.

"(iii) NATIVE CORPORATION.—For purposes of this subparagraph, the term 'Native Corporation' has the meaning given such term by section 3(m) of the Alaska Native Claims Settlement Act.".

(2) CONFORMING AMENDMENTS.—

(A) Section 170(b)(2)(A) is amended by striking "subparagraph (B) applies" and inserting "subparagraph (B) or (C) applies".

(B) Section 170(b)(2)(B)(ii) is amended by striking "15 succeeding years" and inserting "15 succeeding taxable years".

(3) VALID EXISTING RIGHTS PRESERVED.—Nothing in this subsection (or any amendment made by this subsection) shall be construed to modify the

existing property rights validly conveyed to Native Corporations (within the meaning of section 3(m) of the Alaska Native Claims Settlement Act) under such Act.

(c) EFFECTIVE DATES.—

(1) EXTENSION.—The amendments made by subsection (a) shall apply to contributions made in taxable years beginning after December 31, 2014.

(2) MODIFICATION.—The amendments made by subsection (b) shall apply to contributions made in taxable years beginning after December 31, 2015.

**SEC. 112. EXTENSION OF TAX-FREE DISTRIBUTIONS FROM INDIVIDUAL RETIREMENT PLANS FOR CHARITABLE PURPOSES.**

(a) IN GENERAL.—Section 408(d)(8) is amended by striking subparagraph (F).

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to distributions made in taxable years beginning after December 31, 2014.

**SEC. 113. EXTENSION AND MODIFICATION OF CHARITABLE DEDUCTION FOR CONTRIBUTIONS OF FOOD INVENTORY.**

(a) PERMANENT EXTENSION.—Section 170(e)(3)(C) is amended by striking clause (iv).

(b) MODIFICATIONS.—Section 170(e)(3)(C), as amended by subsection (a), is amended by striking clause (ii), by redesignating clause (iii) as clause (vi), and by inserting after clause (i) the following new clauses:

"(ii) LIMITATION.—The aggregate amount of such contributions for any taxable year which may be taken into account under this section shall not exceed—

"(I) in the case of any taxpayer other than a C corporation, 15 percent of the taxpayer's aggregate net income for such taxable year from all trades or businesses from which such contributions were made for such year, computed without regard to this section, and

"(II) in the case of a C corporation, 15 percent of taxable income (as defined in subsection (b)(2)(D)).

"(iii) RULES RELATED TO LIMITATION.—

"(I) CARRYOVER.—If such aggregate amount exceeds the limitation imposed under clause (ii), such excess shall be treated (in a manner consistent with the rules of subsection (d)) as a charitable contribution described in clause (i) in each of the 5 succeeding taxable years in order of time.

"(II) COORDINATION WITH OVERALL CORPORATE LIMITATION.—In the case of any charitable contribution which is allowable after the application of clause (ii)(II), subsection (b)(2)(A) shall not apply to such contribution, but the limitation imposed by such subsection shall be reduced (but not below zero) by the aggregate amount of such contributions. For purposes of subsection (b)(2)(B), such contributions shall be treated as allowable under subsection (b)(2)(A).

"(iv) DETERMINATION OF BASIS FOR CERTAIN TAXPAYERS.—If a taxpayer—

"(I) does not account for inventories under section 471, and

"(II) is not required to capitalize indirect costs under section 263A, the taxpayer may elect, solely for purposes of subparagraph (B), to treat the basis of any apparently wholesome food as being equal to 25 percent of the fair market value of such food.

"(v) DETERMINATION OF FAIR MARKET VALUE.—In the case of any such contribution of apparently wholesome food which cannot or will not be sold solely by reason of internal standards of the taxpayer, lack of market, or similar circumstances, or by reason of being produced by the taxpayer exclusively for the purposes of transferring the food to an organization described in subparagraph (A), the fair market value of such contribution shall be determined—

"(I) without regard to such internal standards, such lack of market, such circumstances, or such exclusive purpose, and

"(II) by taking into account the price at which the same or substantially the same food items (as to both type and quality) are sold by the taxpayer at the time of the contribution (or, if not so sold at such time, in the recent past).''

(c) EFFECTIVE DATES.—

(1) EXTENSION.—The amendment made by subsection (a) shall apply to contributions made after December 31, 2014.

(2) MODIFICATIONS.—The amendments made by subsection (b) shall apply to taxable years beginning after December 31, 2015.

**SEC. 114. EXTENSION OF MODIFICATION OF TAX TREATMENT OF CERTAIN PAYMENTS TO CONTROLLING EXEMPT ORGANIZATIONS.**

(a) IN GENERAL.—Section 512(b)(13)(E) is amended by striking clause (iv).

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to payments received or accrued after December 31, 2014.

**SEC. 115. EXTENSION OF BASIS ADJUSTMENT TO STOCK OF S CORPORATIONS MAKING CHARITABLE CONTRIBUTIONS OF PROPERTY.**

(a) IN GENERAL.—Section 1367(a)(2) is amended by striking the last sentence.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to contributions made in taxable years beginning after December 31, 2014.

## PART 3—INCENTIVES FOR GROWTH, JOBS, INVESTMENT, AND INNOVATION

### SEC. 121. EXTENSION AND MODIFICATION OF RESEARCH CREDIT.

(a) MADE PERMANENT.—

(1) IN GENERAL.—Section 41 is amended by striking subsection (h).

(2) CONFORMING AMENDMENT.—Section 45C(b)(1) is amended by striking subparagraph (D).

(b) CREDIT ALLOWED AGAINST ALTERNATIVE MINIMUM TAX IN CASE OF ELIGIBLE SMALL BUSINESS.—Section 38(c)(4)(B) is amended by redesignating clauses (ii) through (ix) as clauses (iii) through (x), respectively, and by inserting after clause (i) the following new clause:

"(ii) the credit determined under section 41 for the taxable year with respect to an eligible small business (as defined in paragraph (5)(C), after application of rules similar to the rules of paragraph (5)(D)),".

(c) TREATMENT OF RESEARCH CREDIT FOR CERTAIN STARTUP COMPANIES.—

(1) IN GENERAL.—Section 41, as amended by subsection (a), is amended by adding at the end the following new subsection:

"(h) TREATMENT OF CREDIT FOR QUALIFIED SMALL BUSINESSES.—

"(1) IN GENERAL.—At the election of a qualified small business for any taxable year, section 3111(f) shall apply to the payroll tax credit portion of the credit otherwise determined under subsection (a) for the taxable year and such portion shall not be treated (other than for purposes of section 280C) as a credit determined under subsection (a).

"(2) PAYROLL TAX CREDIT PORTION.—For purposes of this subsection, the payroll tax credit portion of the credit determined under subsection (a) with respect to any qualified small business for any taxable year is the least of—

"(A) the amount specified in the election made under this subsection,

"(B) the credit determined under subsection (a) for the taxable year (determined before the application of this subsection), or

"(C) in the case of a qualified small business other than a partnership or S corporation, the amount of the business credit carryforward under section 39 carried from the taxable year (determined before the application of this subsection to the taxable year).

"(3) QUALIFIED SMALL BUSINESS.—For purposes of this subsection—

"(A) IN GENERAL.—The term 'qualified small business' means, with respect to any taxable year—

"(i) a corporation or partnership, if—

"(I) the gross receipts (as determined under the rules of section 448(c)(3), without regard to subparagraph (A) thereof) of such entity for the taxable year is less than $5,000,000, and

"(II) such entity did not have gross receipts (as so determined) for any taxable year preceding the 5-taxable-year period ending with such taxable year, and

"(ii) any person (other than a corporation or partnership) who meets the requirements of subclauses (I) and (II) of clause (i), determined—

"(I) by substituting 'person' for 'entity' each place it appears, and

"(II) by only taking into account the aggregate gross receipts received by such person in carrying on all trades or businesses of such person.

"(B) LIMITATION.—Such term shall not include an organization which is exempt from taxation under section 501.

"(4) ELECTION.—

"(A) IN GENERAL.—Any election under this subsection for any taxable year—

"(i) shall specify the amount of the credit to which such election applies,

"(ii) shall be made on or before the due date (including extensions) of—

"(I) in the case of a qualified small business which is a partnership, the return required to be filed under section 6031,

"(II) in the case of a qualified small business which is an S corporation, the return required to be filed under section 6037, and

"(III) in the case of any other qualified small business, the return of tax for the taxable year, and

"(iii) may be revoked only with the consent of the Secretary.

"(B) LIMITATIONS.—

"(i) AMOUNT.—The amount specified in any election made under this subsection shall not exceed $250,000.

"(ii) NUMBER OF TAXABLE YEARS.—A person may not make an election under this subsection if such person (or any other person treated as a single taxpayer with such person under paragraph (5)(A)) has made an election under this subsection for 5 or more preceding taxable years.

"(C) SPECIAL RULE FOR PARTNERSHIPS AND S CORPORATIONS.—In the case of a qualified small business which is a partnership or S corporation, the election made under this subsection shall be made at the entity level.

"(5) AGGREGATION RULES.—

"(A) IN GENERAL.—Except as provided in subparagraph (B), all persons or entities treated as a single taxpayer under subsection (f)(1) shall be treated as a single taxpayer for purposes of this subsection.

"(B) SPECIAL RULES.—For purposes of this subsection and section 3111(f)—

"(i) each of the persons treated as a single taxpayer under subparagraph (A) may separately make the election under paragraph (1) for any taxable year, and

"(ii) the $250,000 amount under paragraph (4)(B)(i) shall be allocated among all persons treated as a single taxpayer under subparagraph (A) in the same manner as under subparagraph (A)(ii) or (B)(ii) of subsection (f)(1), whichever is applicable.

"(6) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this subsection, including—

"(A) regulations to prevent the avoidance of the purposes of the limitations and aggregation rules under this subsection through the use of successor companies or other means,

"(B) regulations to minimize compliance and record-keeping burdens under this subsection, and

"(C) regulations for recapturing the benefit of credits determined under section 3111(f) in cases where there is a subsequent adjustment to the payroll tax credit portion of the credit determined under subsection (a), including requiring amended income tax returns in the cases where there is such an adjustment.".

(2) CREDIT ALLOWED AGAINST FICA TAXES.—Section 3111 is amended by adding at the end the following new subsection:

"(f) CREDIT FOR RESEARCH EXPENDITURES OF QUALIFIED SMALL BUSINESSES.—

"(1) IN GENERAL.—In the case of a taxpayer who has made an election under section 41(h) for a taxable year, there shall be allowed as a credit against the tax imposed by subsection (a) for the first calendar quarter which begins after the date on which the taxpayer files the return specified in section 41(h)(4)(A)(ii) an amount equal to the payroll tax credit portion determined under section 41(h)(2).

"(2) LIMITATION.—The credit allowed by paragraph (1) shall not exceed the tax imposed by subsection (a) for any calendar quarter on the wages paid with respect to the employment of all individuals in the employ of the employer.

"(3) CARRYOVER OF UNUSED CREDIT.—If the amount of the credit under paragraph (1) exceeds the limitation of paragraph (2) for any calendar quarter, such excess shall be carried to the succeeding calendar quarter and allowed as a credit under paragraph (1) for such quarter.

"(4) DEDUCTION ALLOWED FOR CREDITED AMOUNTS.—The credit allowed under paragraph (1) shall not be taken into account for purposes of determining the amount of any deduction allowed under chapter 1 for taxes imposed under subsection (a).".

(d) EFFECTIVE DATES.—

(1) EXTENSION.—The amendments made by subsection (a) shall apply to shall apply to amounts paid or incurred after December 31, 2014.

(2) CREDIT ALLOWED AGAINST ALTERNATIVE MINIMUM TAX IN CASE OF ELIGIBLE SMALL BUSINESS.—The amendments made by subsection (b) shall apply to credits determined for taxable years beginning after December 31, 2015.

(3) TREATMENT OF RESEARCH CREDIT FOR CERTAIN STARTUP COMPANIES.—The amendments

made by subsection (c) shall apply to taxable years beginning after December 31, 2015.

**SEC. 122. EXTENSION AND MODIFICATION OF EMPLOYER WAGE CREDIT FOR EMPLOYEES WHO ARE ACTIVE DUTY MEMBERS OF THE UNIFORMED SERVICES.**

(a) IN GENERAL.—Section 45P is amended by striking subsection (f).

(b) APPLICABILITY TO ALL EMPLOYERS.—

(1) IN GENERAL.—Section 45P(a) is amended by striking ‘‘, in the case of an eligible small business employer’’.

(2) CONFORMING AMENDMENT.—Section 45P(b)(3) is amended to read as follows:

‘‘(3) CONTROLLED GROUPS.—All persons treated as a single employer under subsection (b), (c), (m), or (o) of section 414 shall be treated as a single employer.’’.

(c) EFFECTIVE DATE.—

(1) EXTENSION.—The amendment made by subsection (a) shall apply to payments made after December 31, 2014.

(2) MODIFICATION.—The amendments made by subsection (b) shall apply to taxable years beginning after December 31, 2015.

**SEC. 123. EXTENSION OF 15-YEAR STRAIGHT-LINE COST RECOVERY FOR QUALIFIED LEASEHOLD IMPROVEMENTS, QUALIFIED RESTAURANT BUILDINGS AND IMPROVEMENTS, AND QUALIFIED RETAIL IMPROVEMENTS.**

(a) QUALIFIED LEASEHOLD IMPROVEMENT PROPERTY AND QUALIFIED RESTAURANT PROPERTY.—Clauses (iv) and (v) of section 168(e)(3)(E) are each amended by striking "placed in service before January 1, 2015".

(b) QUALIFIED RETAIL IMPROVEMENT PROPERTY.—Section 168(e)(3)(E)(ix) is amended by striking "placed in service after December 31, 2008, and before January 1, 2015".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to property placed in service after December 31, 2014.

**SEC. 124. EXTENSION AND MODIFICATION OF INCREASED EXPENSING LIMITATIONS AND TREATMENT OF CERTAIN REAL PROPERTY AS SECTION 179 PROPERTY.**

(a) MADE PERMANENT.—

(1) DOLLAR LIMITATION.—Section 179(b)(1) is amended by striking "shall not exceed—" and all that follows and inserting "shall not exceed $500,000.".

(2) REDUCTION IN LIMITATION.—Section 179(b)(2) is amended by striking "exceeds—" and all that follows and inserting "exceeds $2,000,000.".

(b) COMPUTER SOFTWARE.—Section 179(d)(1)(A)(ii) is amended by striking ", to which section 167 applies, and which is placed in service in a taxable year beginning after 2002 and before 2015" and inserting "and to which section 167 applies".

(c) SPECIAL RULES FOR TREATMENT OF QUALIFIED REAL PROPERTY.—

(1) EXTENSION FOR 2015.—Section 179(f) is amended—

(A) by striking "2015" in paragraph (1) and inserting "2016",

(B) by striking "2014" each place it appears in paragraph (4) and inserting "2015", and

(C) by striking "AND 2013" in the heading of paragraph (4)(C) and inserting "2013, AND 2014".

(2) MADE PERMANENT.—Section 179(f), as amended by paragraph (1), is amended—

(A) by striking "beginning after 2009 and before 2016" in paragraph (1), and

(B) by striking paragraphs (3) and (4).

(d) ELECTION.—Section 179(c)(2) is amended—

(1) by striking "may not be revoked" and all that follows through "and before 2015", and

(2) by striking "IRREVOCABLE" in the heading thereof.

(e) AIR CONDITIONING AND HEATING UNITS.—Section 179(d)(1) is amended by striking "and shall not include air conditioning or heating units".

(f) INFLATION ADJUSTMENT.—Section 179(b) is amended by adding at the end the following new paragraph:

"(6) INFLATION ADJUSTMENT.—

"(A) IN GENERAL.—In the case of any taxable year beginning after 2015, the dollar amounts in paragraphs (1) and (2) shall each be increased by an amount equal to—

"(i) such dollar amount, multiplied by

"(ii) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 2014' for 'calendar year 1992' in subparagraph (B) thereof.

"(B) ROUNDING.—The amount of any increase under subparagraph (A) shall be rounded to the nearest multiple of $10,000.".

(g) EFFECTIVE DATES.—

(1) EXTENSION.—Except as provided in paragraph (2), the amendments made by this section shall apply to taxable years beginning after December 31, 2014.

(2) MODIFICATIONS.—The amendments made by subsections (c)(2) and (e) shall apply to taxable years beginning after December 31, 2015.

**SEC. 125. EXTENSION OF TREATMENT OF CERTAIN DIVIDENDS OF REGULATED INVESTMENT COMPANIES.**

(a) IN GENERAL.—Section 871(k) is amended by striking clause (v) of paragraph (1)(C) and clause (v) of paragraph (2)(C).

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2014.

**SEC. 126. EXTENSION OF EXCLUSION OF 100 PERCENT OF GAIN ON CERTAIN SMALL BUSINESS STOCK.**

(a) IN GENERAL.—Section 1202(a)(4) is amended—

(1) by striking "and before January 1, 2015", and

(2) by striking ", 2011, 2012, 2013, AND 2014" in the heading thereof and inserting "AND THEREAFTER".

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to stock acquired after December 31, 2014.

**SEC. 127. EXTENSION OF REDUCTION IN S-CORPORATION RECOGNITION PERIOD FOR BUILT-IN GAINS TAX.**

(a) IN GENERAL.—Section 1374(d)(7) is amended to read as follows:

"(7) RECOGNITION PERIOD.—

"(A) IN GENERAL.—The term 'recognition period' means the 5-year period beginning with the 1st day of the 1st taxable year for which the corporation was an S corporation. For purposes of applying this section to any amount includible in income by reason of distributions to shareholders pursuant to section 593(e), the preceding sentence shall be applied without regard to the phrase '5-year'.

"(B) INSTALLMENT SALES.—If an S corporation sells an asset and reports the income from the sale using the installment method under section 453, the treatment of all payments received shall be governed by the provisions of this paragraph applicable to the taxable year in which such sale was made.''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2014.

**SEC. 128. EXTENSION OF SUBPART F EXCEPTION FOR ACTIVE FINANCING INCOME.**

(a) INSURANCE BUSINESSES.—Section 953(e) is amended by striking paragraph (10) and by redesignating paragraph (11) as paragraph (10).

(b) BANKING, FINANCING, OR SIMILAR BUSINESSES.—Section 954(h) is amended by striking paragraph (9).

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years of foreign corporations beginning after December 31, 2014, and to taxable years of United States shareholders with or within which any such taxable year of such foreign corporation ends.

## PART 4—INCENTIVES FOR REAL ESTATE INVESTMENT

### SEC. 131. EXTENSION OF MINIMUM LOW-INCOME HOUSING TAX CREDIT RATE FOR NON-FEDERALLY SUBSIDIZED BUILDINGS.

(a) IN GENERAL.—Section 42(b)(2) is amended by striking "with respect to housing credit dollar amount allocations made before January 1, 2015".

(b) CLERICAL AMENDMENT.—The heading for section 42(b)(2) is amended by striking "TEMPORARY MINIMUM" and inserting "MINIMUM".

(c) EFFECTIVE DATES.—The amendments made by this section shall take effect on January 1, 2015.

### SEC. 132. EXTENSION OF MILITARY HOUSING ALLOWANCE EXCLUSION FOR DETERMINING WHETHER A TENANT IN CERTAIN COUNTIES IS LOW-INCOME.

(a) IN GENERAL.—Section 3005(b) of the Housing Assistance Tax Act of 2008 is amended by striking "and before January 1, 2015" each place it appears.

(b) EFFECTIVE DATE.—The amendments made by this section shall take effect as if included in the enactment of section 3005 of the Housing Assistance Tax Act of 2008.

**SEC. 133. EXTENSION OF RIC QUALIFIED INVESTMENT ENTITY TREATMENT UNDER FIRPTA.**

(a) IN GENERAL.—Section 897(h)(4)(A) is amended—

(1) by striking clause (ii), and

(2) by striking all that precedes "regulated investment company which" and inserting the following:

"(A) QUALIFIED INVESTMENT ENTITY.—The term 'qualified investment entity' means—

"(i) any real estate investment trust, and

"(ii) any".

(b) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall take effect on January 1, 2015. Notwithstanding the preceding sentence, such amendments shall not apply with respect to the withholding requirement under section 1445 of the Internal Revenue Code of 1986 for any payment made before the date of the enactment of this Act.

(2) AMOUNTS WITHHELD ON OR BEFORE DATE OF ENACTMENT.—In the case of a regulated investment company—

(A) which makes a distribution after December 31, 2014, and before the date of the enactment of this Act, and

(B) which would (but for the second sentence of paragraph (1)) have been required to withhold with respect to such distribution under section 1445 of such Code,

such investment company shall not be liable to any person to whom such distribution was made for any amount so withheld and paid over to the Secretary of the Treasury.

## Subtitle B—Extensions Through 2019

### SEC. 141. EXTENSION OF NEW MARKETS TAX CREDIT.

(a) IN GENERAL.—Section 45D(f)(1)(G) is amended by striking ‘‘for 2010, 2011, 2012, 2013, and 2014’’ and inserting ‘‘for each of calendar years 2010 through 2019’’.

(b) CARRYOVER OF UNUSED LIMITATION.—Section 45D(f)(3) is amended by striking ‘‘2019’’ and inserting ‘‘2024’’.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to calendar years beginning after December 31, 2014.

**SEC. 142. EXTENSION AND MODIFICATION OF WORK OPPORTUNITY TAX CREDIT.**

(a) IN GENERAL.—Section 51(c)(4) is amended by striking "December 31, 2014" and inserting "December 31, 2019".

(b) CREDIT FOR HIRING LONG-TERM UNEMPLOYMENT RECIPIENTS.—

(1) IN GENERAL.—Section 51(d)(1) is amended by striking "or" at the end of subparagraph (H), by striking the period at the end of subparagraph (I) and inserting ", or", and by adding at the end the following new subparagraph:

"(J) a qualified long-term unemployment recipient.".

(2) QUALIFIED LONG-TERM UNEMPLOYMENT RECIPIENT.—Section 51(d) is amended by adding at the end the following new paragraph:

"(15) QUALIFIED LONG-TERM UNEMPLOYMENT RECIPIENT.—The term 'qualified long-term unemployment recipient' means any individual who is certified by the designated local agency as being in a period of unemployment which—

"(A) is not less than 27 consecutive weeks, and

"(B) includes a period in which the individual was receiving unemployment compensation under State or Federal law.".

(c) EFFECTIVE DATES.—

(1) EXTENSION.—The amendment made by subsection (a) shall apply to individuals who begin work for the employer after December 31, 2014.

(2) MODIFICATION.—The amendments made by subsection (b) shall apply to individuals who begin work for the employer after December 31, 2015.

**SEC. 143. EXTENSION AND MODIFICATION OF BONUS DEPRECIATION.**

(a) EXTENDED FOR 2015.—

(1) IN GENERAL.—Section 168(k)(2) is amended—

(A) by striking "January 1, 2016" in subparagraph (A)(iv) and inserting "January 1, 2017", and

(B) by striking "January 1, 2015" each place it appears and inserting "January 1, 2016".

(2) SPECIAL RULE FOR FEDERAL LONG-TERM CONTRACTS.—Section 460(c)(6)(B)(ii) is amended by striking "January 1, 2015 (January 1, 2016" and inserting "January 1, 2016 (January 1, 2017".

(3) EXTENSION OF ELECTION TO ACCELERATE AMT CREDIT IN LIEU OF BONUS DEPRECIATION.—

(A) IN GENERAL.—Section 168(k)(4)(D)(iii)(II) is amended by striking "January 1, 2015" and inserting "January 1, 2016".

(B) ROUND 5 EXTENSION PROPERTY.—Section 168(k)(4) is amended by adding at the end the following new subparagraph:

"(L) SPECIAL RULES FOR ROUND 5 EXTENSION PROPERTY.—

"(i) IN GENERAL.—In the case of round 5 extension property, in applying this paragraph to any taxpayer—

"(I) the limitation described in subparagraph (B)(i) and the business credit increase amount under subparagraph (E)(iii) thereof shall not apply, and

"(II) the bonus depreciation amount, maximum amount, and maximum increase amount shall be computed separately from amounts computed with respect to eligible qualified property which is not round 5 extension property.

"(ii) ELECTION.—

"(I) A taxpayer who has an election in effect under this paragraph for round 4 extension property shall be treated as having an election in effect for round 5 extension property unless the taxpayer elects to not have this paragraph apply to round 5 extension property.

"(II) A taxpayer who does not have an election in effect under this paragraph for round 4 extension property may elect to have this paragraph apply to round 5 extension property.

"(iii) ROUND 5 EXTENSION PROPERTY.—For purposes of this subparagraph, the term 'round 5 extension property' means property which is eligible qualified property solely by reason of the extension of the application of the special allowance under paragraph (1) pursuant to the amendments made by section 143(a)(1) of the Protecting Americans from Tax Hikes Act of 2015 (and the application of such extension to this paragraph pursuant to the amendment made by section 143(a)(3) of such Act).''.

(4) CONFORMING AMENDMENTS.—

(A) The heading for section 168(k) is amended by striking ''JANUARY 1, 2015'' and inserting ''JANUARY 1, 2016''.

(B) The heading for section 168(k)(2)(B)(ii) is amended by striking ''PRE-JANUARY 1, 2015'' and inserting ''PRE-JANUARY 1, 2016''.

(5) EFFECTIVE DATE.—

(A) IN GENERAL.—Except as provided in subparagraph (B), the amendments made by this subsection shall apply to property placed in service after December 31, 2014, in taxable years ending after such date.

(B) ELECTION TO ACCELERATE AMT CREDIT.—The amendments made by paragraph (3) shall apply to taxable years ending after December 31, 2014.

(b) EXTENDED AND MODIFIED FOR 2016 THROUGH 2019.—

(1) IN GENERAL.—Section 168(k)(2), as amended by subsection (a), is amended to read as follows:

"(2) QUALIFIED PROPERTY.—For purposes of this subsection—

"(A) IN GENERAL.—The term 'qualified property' means property—

"(i)(I) to which this section applies which has a recovery period of 20 years or less,

"(II) which is computer software (as defined in section 167(f)(1)(B)) for which a deduction is allowable under section 167(a) without regard to this subsection,

"(III) which is water utility property, or

"(IV) which is qualified improvement property,

"(ii) the original use of which commences with the taxpayer, and

"(iii) which is placed in service by the taxpayer before January 1, 2020.

"(B) CERTAIN PROPERTY HAVING LONGER PRODUCTION PERIODS TREATED AS QUALIFIED PROPERTY.—

"(i) IN GENERAL.—The term 'qualified property' includes any property if such property—

"(I) meets the requirements of clauses (i) and (ii) of subparagraph (A),

"(II) is placed in service by the taxpayer before January 1, 2021,

"(III) is acquired by the taxpayer (or acquired pursuant to a written contract entered into) before January 1, 2020,

"(IV) has a recovery period of at least 10 years or is transportation property,

"(V) is subject to section 263A, and

"(VI) meets the requirements of clause (iii) of section 263A(f)(1)(B) (determined as if such clause also applies to property which has a long useful life (within the meaning of section 263A(f))).

"(ii) ONLY PRE-JANUARY 1, 2020 BASIS ELIGIBLE FOR ADDITIONAL ALLOW-

ANCE.—In the case of property which is qualified property solely by reason of clause (i), paragraph (1) shall apply only to the extent of the adjusted basis thereof attributable to manufacture, construction, or production before January 1, 2020.

"(iii) TRANSPORTATION PROPERTY.—For purposes of this subparagraph, the term 'transportation property' means tangible personal property used in the trade or business of transporting persons or property.

"(iv) APPLICATION OF SUBPARAGRAPH.—This subparagraph shall not apply to any property which is described in subparagraph (C).

"(C) CERTAIN AIRCRAFT.—The term 'qualified property' includes property—

"(i) which meets the requirements of subparagraph (A)(ii) and subclauses (II) and (III) of subparagraph (B)(i),

"(ii) which is an aircraft which is not a transportation property (as defined in subparagraph (B)(iii)) other than for agricultural or firefighting purposes, "(iii) which is purchased and on which such purchaser, at the time of the contract for purchase, has made a nonrefundable deposit of the lesser of—

"(I) 10 percent of the cost, or

"(II) $100,000, and

"(iv) which has—

"(I) an estimated production period exceeding 4 months, and

"(II) a cost exceeding $200,000.

"(D) EXCEPTION FOR ALTERNATIVE DEPRECIATION PROPERTY.—The term 'qualified property' shall not include any property to which the alternative depreciation system under subsection (g) applies, determined—

"(i) without regard to paragraph (7) of subsection (g) (relating to election to have system apply), and

"(ii) after application of section 280F(b) (relating to listed property with limited business use).

"(E) SPECIAL RULES.—

"(i) SELF-CONSTRUCTED PROPERTY.—In the case of a taxpayer manufacturing, constructing, or producing property for the taxpayer's own use, the requirements of subclause (III) of subparagraph (B)(i) shall be treated as met if the taxpayer begins manufacturing, constructing, or producing the property before January 1, 2020.

"(ii) SALE-LEASEBACKS.—For purposes of clause (iii) and subparagraph (A)(ii), if property is—

"(I) originally placed in service by a person, and

"(II) sold and leased back by such person within 3 months after the date such property was originally placed in service,

such property shall be treated as originally placed in service not earlier than the date on which such property is used under the leaseback referred to in subclause (II).

"(iii) SYNDICATION.—For purposes of subparagraph (A)(ii), if—

"(I) property is originally placed in service by the lessor of such property, "(II) such property is sold by such lessor or any subsequent purchaser within 3 months after the date such property was originally placed in service (or, in the case of multiple units of property subject to the same lease, within 3 months after the date the final unit is placed in service, so long as the period between the time the first unit is placed in service and the time the last unit is placed in service does not exceed 12 months), and

"(III) the user of such property after the last sale during such 3-month period remains the same as when such property was originally placed in service,

such property shall be treated as originally placed in service not earlier than the date of such last sale.

"(F) COORDINATION WITH SECTION 280F.—For purposes of section 280F—

"(i) AUTOMOBILES.—In the case of a passenger automobile (as defined in section

280F(d)(5)) which is qualified property, the Secretary shall increase the limitation under section 280F(a)(1)(A)(i) by $8,000.

"(ii) LISTED PROPERTY.—The deduction allowable under paragraph (1) shall be taken into account in computing any recapture amount under section 280F(b)(2).

"(iii) PHASE DOWN.—In the case of a passenger automobile placed in service by the taxpayer after December 31, 2017, clause (i) shall be applied by substituting for '$8,000'—

"(I) in the case of an automobile placed in service during 2018, $6,400, and

"(II) in the case of an automobile placed in service during 2019, $4,800.

"(G) DEDUCTION ALLOWED IN COMPUTING MINIMUM TAX.—For purposes of determining alternative minimum taxable income under section 55, the deduction under section 167 for qualified property shall be determined without regard to any adjustment under section 56.".

(2) QUALIFIED IMPROVEMENT PROPERTY.—Section 168(k)(3) is amended to read as follows:

"(3) QUALIFIED IMPROVEMENT PROPERTY.—For purposes of this subsection—

"(A) IN GENERAL.—The term 'qualified improvement property' means any improvement to an interior portion of a building which is nonresidential real property if such improvement is placed in service after the date such building was first placed in service.

"(B) CERTAIN IMPROVEMENTS NOT INCLUDED.—Such term shall not include any improvement for which the expenditure is attributable to—

"(i) the enlargement of the building,

"(ii) any elevator or escalator, or

"(iii) the internal structural framework of the building.".

(3) EXPANSION OF ELECTION TO ACCELERATE AMT CREDITS IN LIEU OF BONUS DEPRECIATION.—Section 168(k)(4), as amended by subsection (a), is amended to read as follows:

"(4) ELECTION TO ACCELERATE AMT CREDITS IN LIEU OF BONUS DEPRECIATION.—

"(A) IN GENERAL.—If a corporation elects to have this paragraph apply for any taxable year—

"(i) paragraphs (1) and (2)(F) shall not apply to any qualified property placed in service during such taxable year,

"(ii) the applicable depreciation method used under this section with respect to such property shall be the straight line method, and

"(iii) the limitation imposed by section 53(c) for such taxable year shall be increased by the bonus depreciation amount which is determined for such taxable year under subparagraph (B).

"(B) BONUS DEPRECIATION AMOUNT.—For purposes of this paragraph—

"(i) IN GENERAL.—The bonus depreciation amount for any taxable year is an amount equal to 20 percent of the excess (if any) of—

"(I) the aggregate amount of depreciation which would be allowed under this section for qualified property placed in service by the taxpayer during such taxable year if paragraph (1) applied to all such property (and, in the case of any such property which is a passenger automobile (as defined in section 280F(d)(5)), if paragraph (2)(F) applied to such automobile), over

"(II) the aggregate amount of depreciation which would be allowed under this section for qualified property placed in service by the taxpayer during such taxable year if paragraphs (1) and (2)(F) did not apply to any such property.

The aggregate amounts determined under subclauses (I) and (II) shall be determined without regard to any election made under subparagraph (A) or subsection (b)(2)(D), (b)(3)(D), or (g)(7).

"(ii) LIMITATION.—The bonus depreciation amount for any taxable year shall not exceed the lesser of—

"(I) 50 percent of the minimum tax credit under section 53(b) for the first taxable year ending after December 31, 2015, or

"(II) the minimum tax credit under section 53(b) for such taxable year determined by taking into account only the adjusted net minimum tax for taxable years ending before January 1, 2016 (determined by treating credits as allowed on a first-in, first-out basis).

"(iii) AGGREGATION RULE.—All corporations which are treated as a single employer under section 52(a) shall be treated—

"(I) as 1 taxpayer for purposes of this paragraph, and

"(II) as having elected the application of this paragraph if any such corporation so elects.

"(C) CREDIT REFUNDABLE.—For purposes of section 6401(b), the aggregate increase in the credits allowable under part IV of subchapter A for any taxable year resulting from the application of this paragraph shall be treated as allowed under subpart C of such part (and not any other subpart).

"(D) OTHER RULES.—

"(i) ELECTION.—Any election under this paragraph may be revoked only with the consent of the Secretary.

"(ii) PARTNERSHIPS WITH ELECTING PARTNERS.—In the case of a corporation which is a partner in a partnership and which makes an election under subparagraph (A) for the taxable year, for purposes of determining such corporation's distributive share of partnership items under section 702 for such taxable year—

"(I) paragraphs (1) and (2)(F) shall not apply to any qualified property placed in service during such taxable year, and

"(II) the applicable depreciation method used under this section with respect to such property shall be the straight line method.

"(iii) CERTAIN PARTNERSHIPS.—In the case of a partnership in which more than 50 percent of the capital and profits interests are owned (directly or indirectly) at all times during the taxable year by 1 corporation (or by corporations treated as

1 taxpayer under subparagraph (B)(iii)), each partner shall compute its bonus depreciation amount under clause (i) of subparagraph (B) by taking into account its distributive share of the amounts determined by the partnership under subclauses (I) and (II) of such clause for the taxable year of the partnership ending with or within the taxable year of the partner.''.

(4) SPECIAL RULES FOR CERTAIN PLANTS BEARING FRUITS AND NUTS.—Section 168(k) is amended—

(A) by striking paragraph (5), and

(B) by inserting after paragraph (4) the following new paragraph:

''(5) SPECIAL RULES FOR CERTAIN PLANTS BEARING FRUITS AND NUTS.—

''(A) IN GENERAL.—In the case of any specified plant which is planted before January 1, 2020, or is grafted before such date to a plant that has already been planted, by the taxpayer in the ordinary course of the taxpayer's farming business (as defined in section 263A(e)(4)) during a taxable year for which the taxpayer has elected the application of this paragraph—

“(i) a depreciation deduction equal to 50 percent of the adjusted basis of such specified plant shall be allowed under section 167(a) for the taxable year in which such specified plant is so planted or grafted, and

“(ii) the adjusted basis of such specified plant shall be reduced by the amount of such deduction.

“(B) SPECIFIED PLANT.—For purposes of this paragraph, the term ‘specified plant’ means—

“(i) any tree or vine which bears fruits or nuts, and

“(ii) any other plant which will have more than one yield of fruits or nuts and which generally has a pre-productive period of more than 2 years from the time of planting or grafting to the time at which such plant begins bearing fruits or nuts.

Such term shall not include any property which is planted or grafted outside of the United States.

"(C) ELECTION REVOCABLE ONLY WITH CONSENT.—An election under this paragraph may be revoked only with the consent of the Secretary.

"(D) ADDITIONAL DEPRECIATION MAY BE CLAIMED ONLY ONCE.—If this paragraph applies to any specified plant, such specified plant shall not be treated as qualified property in the taxable year in which placed in service.

"(E) DEDUCTION ALLOWED IN COMPUTING MINIMUM TAX.—Rules similar to the rules of paragraph (2)(G) shall apply for purposes of this paragraph.

"(F) PHASE DOWN.—In the case of a specified plant which is planted after December 31, 2017 (or is grafted to a plant that has already been planted before such date), subparagraph (A)(i) shall be applied by substituting for '50 percent'—

"(i) in the case of a plant which is planted (or so grafted) in 2018, '40 percent', and

"(ii) in the case of a plant which is planted (or so grafted) during 2019, '30 percent'.".

(5) PHASE DOWN OF BONUS DEPRECIATION.—Section 168(k) is amended by adding at the end the following new paragraph:

"(6) PHASE DOWN.—In the case of qualified property placed in service by the taxpayer after December 31, 2017, paragraph (1)(A) shall be applied by substituting for '50 percent'—

"(A) in the case of property placed in service in 2018 (or in the case of property placed in service in 2019 and described in paragraph (2)(B) or (C) (determined by substituting '2019' for '2020' in paragraphs (2)(B)(i)(III) and (ii) and paragraph (2)(E)(i)), '40 percent',

"(B) in the case of property placed in service in 2019 (or in the case of property placed in service in 2020 and described in paragraph (2)(B) or (C), '30 percent'.".

(6) CONFORMING AMENDMENTS.—

(A) Section 168(e)(6) is amended—

(i) by redesignating subparagraphs (A) and (B) as subparagraphs (D) and (E), respectively,

(ii) by striking all that precedes subparagraph (D) (as so redesignated) and inserting the following:

"(6) QUALIFIED LEASEHOLD IMPROVEMENT PROPERTY.—For purposes of this subsection—

"(A) IN GENERAL.—The term 'qualified leasehold improvement property' means any improvement to an interior portion of a building which is nonresidential real property if—

"(i) such improvement is made under or pursuant to a lease (as defined in subsection (h)(7))—

"(I) by the lessee (or any sublessee) of such portion, or

"(II) by the lessor of such portion,

"(ii) such portion is to be occupied exclusively by the lessee (or any sublessee) of such portion, and

"(iii) such improvement is placed in service more than 3 years after the date the building was first placed in service.

"(B) CERTAIN IMPROVEMENTS NOT INCLUDED.—Such term shall not include any improvement for which the expenditure is attributable to—

"(i) the enlargement of the building,

"(ii) any elevator or escalator,

"(iii) any structural component benefitting a common area, or

"(iv) the internal structural framework of the building.

"(C) DEFINITIONS AND SPECIAL RULES.—For purposes of this paragraph—

"(i) COMMITMENT TO LEASE TREATED AS LEASE.—A commitment to enter into a lease shall be treated as a lease, and the parties to such commitment shall be treated as lessor and lessee, respectively.

"(ii) RELATED PERSONS.—A lease between related persons shall not be considered a lease. For purposes of the preceding sentence, the term 'related persons' means—

"(I) members of an affiliated group (as defined in section 1504), and

"(II) persons having a relationship described in subsection (b) of section 267; except that, for purposes of this clause, the phrase '80 percent or more' shall be substituted for the phrase 'more than 50 percent' each place it appears in such subsection.'', and

(iii) by striking ''subparagraph (A)'' in subparagraph (E) (as so redesignated) and inserting ''subparagraph (D)''.

(B) Section 168(e)(7)(B) is amended by striking ''qualified leasehold improvement property'' and inserting ''qualified improvement property''.

(C) Section 168(e)(8) is amended by striking subparagraph (D).

(D) Section 168(k), as amended by the preceding provisions of this section, is amended by adding at the end the following new paragraph:

''(7) ELECTION OUT.—If a taxpayer makes an election under this paragraph with respect to any class of property for any taxable year, paragraphs (1) and (2)(F) shall not apply to any qualified property in such class placed in service during such taxable year. An election under this paragraph may be revoked only with the consent of the Secretary.''.

(E) Section 168(l)(3) is amended—

(i) by striking "section 168(k)" in subparagraph (A) and inserting "subsection (k)", and

(ii) by striking "section 168(k)(2)(D)(i)" in subparagraph (B) and inserting "subsection (k)(2)(D)".

(F) Section 168(l)(4) is amended by striking "subparagraph (E) of section 168(k)(2)" and all that follows and inserting "subsection (k)(2)(E) shall apply.".

(G) Section 168(l)(5) is amended by striking "section 168(k)(2)(G)" and inserting "subsection (k)(2)(G)".

(H) Section 263A(c) is amended by adding at the end the following new paragraph:

"(7) COORDINATION WITH SECTION 168(k)(5).—This section shall not apply to any amount allowed as a deduction by reason of section 168(k)(5) (relating to special rules for certain plants bearing fruits and nuts).".

(I) Section 460(c)(6)(B)(ii), as amended by subsection (a), is amended to read as follows:

"(ii) is placed in service before January 1, 2020 (January 1, 2021 in the case of property described in section 168(k)(2)(B)).''.

(J) Section 168(k), as amended by subsection (a), is amended by striking ''AND BEFORE JANUARY 1, 2016'' in the heading thereof and inserting ''AND BEFORE JANUARY 1, 2020''.

(7) EFFECTIVE DATES.—

(A) IN GENERAL.—Except as otherwise provided in this paragraph, the amendments made by this subsection shall apply to property placed in service after December 31, 2015, in taxable years ending after such date.

(B) EXPANSION OF ELECTION TO ACCELERATE AMT CREDITS IN LIEU OF BONUS DEPRECIATION.—The amendments made by paragraph (3) shall apply to taxable years ending after December 31, 2015, except that in the case of any taxable year beginning before January 1, 2016, and ending after December 31, 2015, the limitation under section 168(k)(4)(B)(ii) of the Internal Revenue Code of 1986 (as amended by this section) shall be the sum of—

(i) the product of—

(I) the maximum increase amount (within the meaning of section 168(k)(4)(C)(iii) of such Code, as in effect before the amendments made by this subsection), multiplied by

(II) a fraction the numerator of which is the number of days in the taxable year before January 1, 2016, and the denominator of which is the number of days in the taxable year, plus

(ii) the product of—

(I) such limitation (determined without regard to this subparagraph), multiplied by

(II) a fraction the numerator of which is the number of days in the taxable year after December 31, 2015, and the denominator of which is the number of days in the taxable year.

(C) SPECIAL RULES FOR CERTAIN PLANTS BEARING FRUITS AND NUTS.—The amendments made by paragraph (4) (other than subparagraph (A) thereof) shall apply to specified plants (as defined in section 168(k)(5)(B) of the Internal Revenue Code of 1986, as amended by this subsection) planted or grafted after December 31, 2015.

**SEC. 144. EXTENSION OF LOOK-THRU TREATMENT OF PAYMENTS BETWEEN RELATED CONTROLLED FOREIGN CORPORATIONS UNDER FOREIGN PERSONAL HOLDING COMPANY RULES.**

(a) IN GENERAL.—Section 954(c)(6)(C) is amended by striking ''January 1, 2015'' and inserting ''January 1, 2020''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years of foreign corporations beginning after December 31, 2014, and to taxable years of United States shareholders with or within which such taxable years of foreign corporations end.

# Subtitle C—Extensions Through 2016

## PART 1—TAX RELIEF FOR FAMILIES AND INDIVIDUALS

### SEC. 151. EXTENSION AND MODIFICATION OF EXCLUSION FROM GROSS INCOME OF DISCHARGE OF QUALIFIED PRINCIPAL RESIDENCE INDEBTEDNESS.

(a) EXTENSION.—Section 108(a)(1)(E) is amended by striking "January 1, 2015" and inserting "January 1, 2017".

(b) MODIFICATION.—Section 108(a)(1)(E), as amended by subsection (a), is amended by striking "discharged before" and all that follows and inserting "discharged—

"(i) before January 1, 2017, or

"(ii) subject to an arrangement that is entered into and evidenced in writing before January 1, 2017.".

(c) EFFECTIVE DATES.—

(1) EXTENSION.—The amendment made by subsection (a) shall apply to discharges of indebtedness after December 31, 2014.

(2) MODIFICATION.—The amendment made by subsection (b) shall apply to discharges of indebtedness after December 31, 2015.

**SEC. 152. EXTENSION OF MORTGAGE INSURANCE PREMIUMS TREATED AS QUALIFIED RESIDENCE INTEREST.**

(a) IN GENERAL.—Subclause (I) of section 163(h)(3)(E)(iv) is amended by striking "December 31, 2014" and inserting "December 31, 2016".

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to amounts paid or accrued after December 31, 2014.

**SEC. 153. EXTENSION OF ABOVE-THE-LINE DEDUCTION FOR QUALIFIED TUITION AND RELATED EXPENSES.**

(a) IN GENERAL.—Section 222(e) is amended by striking "December 31, 2014" and inserting "December 31, 2016".

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

## PART 2—INCENTIVES FOR GROWTH, JOBS, INVESTMENT, AND INNOVATION

### SEC. 161. EXTENSION OF INDIAN EMPLOYMENT TAX CREDIT.

(a) IN GENERAL.—Section 45A(f) is amended by striking "December 31, 2014" and inserting "December 31, 2016".

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

### SEC. 162. EXTENSION AND MODIFICATION OF RAILROAD TRACK MAINTENANCE CREDIT.

(a) EXTENSION.—Section 45G(f) is amended by striking "January 1, 2015" and inserting "January 1, 2017".

(b) MODIFICATION.—Section 45G(d) is amended by striking "January 1, 2005," and inserting "January 1, 2015,".

(c) EFFECTIVE DATES.—

(1) EXTENSION.—The amendment made by subsection (a) shall apply to expenditures paid or incurred in taxable years beginning after December 31, 2014.

(2) MODIFICATION.—The amendment made by subsection (b) shall apply to expenditures paid or in-

curred in taxable years beginning after December 31, 2015.

**SEC. 163. EXTENSION OF MINE RESCUE TEAM TRAINING CREDIT.**

(a) IN GENERAL.—Section 45N(e) is amended by striking ''December 31, 2014'' and inserting ''December 31, 2016''.

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

**SEC. 164. EXTENSION OF QUALIFIED ZONE ACADEMY BONDS.**

(a) EXTENSION.—Section 54E(c)(1) is amended by striking ''and 2014'' and inserting ''2014, 2015, and 2016''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to obligations issued after December 31, 2014.

**SEC. 165. EXTENSION OF CLASSIFICATION OF CERTAIN RACE HORSES AS 3-YEAR PROPERTY.**

(a) IN GENERAL.—Section 168(e)(3)(A)(i) is amended—

(1) by striking ''January 1, 2015'' in subclause (I) and inserting ''January 1, 2017'', and

(2) by striking "December 31, 2014" in subclause (II) and inserting "December 31, 2016".

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to property placed in service after December 31, 2014.

**SEC. 166. EXTENSION OF 7-YEAR RECOVERY PERIOD FOR MOTORSPORTS ENTERTAINMENT COMPLEXES.**

(a) IN GENERAL.—Section 168(i)(15)(D) is amended by striking "December 31, 2014" and inserting "December 31, 2016".

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to property placed in service after December 31, 2014.

**SEC. 167. EXTENSION AND MODIFICATION OF ACCELERATED DEPRECIATION FOR BUSINESS PROPERTY ON AN INDIAN RESERVATION.**

(a) IN GENERAL.—Section 168(j)(8) is amended by striking "December 31, 2014" and inserting "December 31, 2016".

(b) ELECTION TO HAVE SPECIAL RULES NOT APPLY.—Section 168(j) is amended by redesignating paragraph (8), as amended by subsection (a), as paragraph (9), and by inserting after paragraph (7) the following new paragraph:

"(8) ELECTION OUT.—If a taxpayer makes an election under this paragraph with respect to any class of property for any taxable year, this subsection shall not apply to all property in such class placed in service during such taxable year. Such election, once made, shall be irrevocable.".

(c) EFFECTIVE DATES.—

(1) EXTENSION.—The amendment made by subsection (a) shall apply to property placed in service after December 31, 2014.

(2) MODIFICATION.—The amendments made by subsection (b) shall apply to taxable years beginning after December 31, 2015.

**SEC. 168. EXTENSION OF ELECTION TO EXPENSE MINE SAFETY EQUIPMENT.**

(a) IN GENERAL.—Section 179E(g) is amended by striking "December 31, 2014" and inserting "December 31, 2016".

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to property placed in service after December 31, 2014.

**SEC. 169. EXTENSION OF SPECIAL EXPENSING RULES FOR CERTAIN FILM AND TELEVISION PRODUCTIONS; SPECIAL EXPENSING FOR LIVE THEATRICAL PRODUCTIONS.**

(a) IN GENERAL.—Section 181(f) is amended by striking ‘‘December 31, 2014’’ and inserting ‘‘December 31, 2016’’.

(b) APPLICATION TO LIVE PRODUCTIONS.—

(1) IN GENERAL.—Paragraph (1) of section 181(a) is amended by inserting ‘‘, and any qualified live theatrical production,’’ after ‘‘any qualified film or television production’’.

(2) CONFORMING AMENDMENTS.—Section 181 is amended—

(A) by inserting ‘‘or any qualified live theatrical production’’ after ‘‘qualified film or television production’’ each place it appears in subsections (a)(2), (b), and (c)(1),

(B) by inserting ‘‘or qualified live theatrical productions’’ after ‘‘qualified film or television productions’’ in subsection (f), and

(C) by inserting ‘‘**AND LIVE THEATRICAL**’’ after ‘‘**FILM AND TELEVISION**’’ in the heading.

(3) CLERICAL AMENDMENT.—The item relating to section 181 in the table of sections for part VI

of subchapter B of chapter 1 is amended to read as follows:



(c) QUALIFIED LIVE THEATRICAL PRODUCTION.—Section 181 is amended—

(1) by redesignating subsections (e) and (f), as amended by subsections (a) and (b), as subsections (f) and (g), respectively, and

(2) by inserting after subsection (d) the following new subsection:

"(e) QUALIFIED LIVE THEATRICAL PRODUCTION.—For purposes of this section—

"(1) IN GENERAL.—The term 'qualified live theatrical production' means any production described in paragraph (2) if 75 percent of the total compensation of the production is qualified compensation (as defined in subsection (d)(3)).

"(2) PRODUCTION.—

"(A) IN GENERAL.—A production is described in this paragraph if such production is a live staged production of a play (with or without music) which is derived from a written book or script and is produced or presented by a taxable entity in any venue which has an audience capacity of not more than 3,000 or a series of venues the majority of which have an audience capacity of not more than 3,000.

"(B) TOURING COMPANIES, ETC.—In the case of multiple live staged productions—

"(i) for which the election under this section would be allowable to the same taxpayer, and

"(ii) which are—

"(I) separate phases of a production, or

"(II) separate simultaneous stagings of the same production in different geographical locations (not including multiple performance locations of any one touring production),

each such live staged production shall be treated as a separate production.

"(C) PHASE.—For purposes of subparagraph (B), the term 'phase' with respect to any qualified live theatrical production refers to each of the following, but only if each of the following is treated by the taxpayer as a separate activity for all purposes of this title:

"(i) The initial staging of a live theatrical production.

"(ii) Subsequent additional stagings or touring of such production which are produced by the same producer as the initial staging.

"(D) SEASONAL PRODUCTIONS.—

"(i) IN GENERAL.—In the case of a live staged production not described in subparagraph (B) which is produced or presented by a taxable entity for not more than 10 weeks of the taxable year, subparagraph (A) shall be applied by substituting '6,500' for '3,000'.

"(ii) SHORT TAXABLE YEARS.—For purposes of clause (i), in the case of any taxable year of less than 12 months, the number of weeks for which a production is produced or presented shall be annualized by multiplying the number of weeks the production is produced or presented during such taxable year by 12 and dividing the result by the number of months in such taxable year.

"(E) EXCEPTION.—A production is not described in this paragraph if such production includes or consists of any performance of conduct described in section 2257(h)(1) of title 18, United States Code.''.

(d) EFFECTIVE DATE.—

(1) EXTENSION.—The amendment made by subsection (a) shall apply to productions commencing after December 31, 2014.

(2) MODIFICATIONS.—

(A) IN GENERAL.—The amendments made by subsections (b) and (c) shall apply to productions commencing after December 31, 2015.

(B) COMMENCEMENT.—For purposes of subparagraph (A), the date on which a qualified live theatrical production commences is the date of the first public performance of such production for a paying audience.

**SEC. 170. EXTENSION OF DEDUCTION ALLOWABLE WITH RESPECT TO INCOME ATTRIBUTABLE TO DOMESTIC PRODUCTION ACTIVITIES IN PUERTO RICO.**

(a) IN GENERAL.—Section 199(d)(8)(C) is amended—

(1) by striking ''first 9 taxable years'' and inserting ''first 11 taxable years'', and

(2) by striking ''January 1, 2015'' and inserting ''January 1, 2017''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2014.

**SEC. 171. EXTENSION AND MODIFICATION OF EMPOWERMENT ZONE TAX INCENTIVES.**

(a) IN GENERAL.—

(1) EXTENSION.—Section 1391(d)(1)(A)(i) is amended by striking "December 31, 2014" and inserting "December 31, 2016".

(2) TREATMENT OF CERTAIN TERMINATION DATES SPECIFIED IN NOMINATIONS.—In the case of a designation of an empowerment zone the nomination for which included a termination date which is contemporaneous with the date specified in subparagraph (A)(i) of section 1391(d)(1) of the Internal Revenue Code of 1986 (as in effect before the enactment of this Act), subparagraph (B) of such section shall not apply with respect to such designation if, after the date of the enactment of this section, the entity which made such nomination amends the nomination to provide for a new termination date in such manner as the Secretary of the Treasury (or the Secretary's designee) may provide.

(b) MODIFICATION.—Section 1394(b)(3)(B)(i) is amended—

(1) by striking "References" and inserting the following:

"(I) IN GENERAL.—Except as provided in subclause (II), references", and

(2) by adding at the end the following new subclause:

"(II) SPECIAL RULE FOR EMPLOYEE RESIDENCE TEST.—For purposes of subsection (b)(6) and (c)(5) of section 1397C, an employee shall be treated as a resident of an empowerment zone if such employee is a resident of an empowerment zone, an enterprise community, or a qualified low-income community within an applicable nominating jurisdiction.".

(c) DEFINITIONS.—

(1) QUALIFIED LOW-INCOME COMMUNITY.—Section 1394(b)(3) is amended by redesignating subparagraphs (C) and (D) as subparagraphs (D) and (E), respectively, and by inserting after subparagraph (B) the following new subparagraph:

"(C) QUALIFIED LOW-INCOME COMMUNITY.—For purposes of subparagraph (B)—

"(i) IN GENERAL.—The term 'qualified low-income community' means any population census tract if—

"(I) the poverty rate for such tract is at least 20 percent, or

"(II) the median family income for such tract does not exceed 80 percent of statewide median family income (or, in the case of a tract located within a metropolitan area, metropolitan area median family income if greater).

Subclause (II) shall be applied using possessionwide median family income in the case of census tracts located within a possession of the United States.

"(ii) TARGETED POPULATIONS.—The Secretary shall prescribe regulations under which 1 or more targeted populations (within the meaning of section 103(20) of the Riegle Community Development and Regulatory Improvement Act of 1994) may be treated as qualified low-income communities.

"(iii) AREAS NOT WITHIN CENSUS TRACTS.—In the case of an area which is not tracted for population census tracts, the equivalent county divisions (as defined by the Bureau of the Census for purposes of defining poverty areas) shall be used for purposes of determining poverty rates and median family income.

"(iv) MODIFICATION OF INCOME REQUIREMENT FOR CENSUS TRACTS WITHIN HIGH MIGRATION RURAL COUNTIES.—

"(I) IN GENERAL.—In the case of a population census tract located within a high migration rural county, clause (i)(II) shall be applied to areas not located within a metropolitan area by substituting '85 percent' for '80 percent'.

"(II) HIGH MIGRATION RURAL COUNTY.—For purposes of this clause, the term 'high migration rural county' means any county which, during the 20-year period ending with the year in which the most recent census was conducted, has a net out-migration of inhabitants from the county of at least 10 percent of the population of the county at the beginning of such period.''.

(2) APPLICABLE NOMINATING JURISDICTION.—Section 1394(b)(3)(D), as redesignated by paragraph (1), is amended by adding at the end the following new clause:

''(iii) APPLICABLE NOMINATING JURISDICTION.—The term 'applicable nominating jurisdiction' means, with respect to any empowerment zone or enterprise community, any local government that nominated such community for designation under section 1391.''.

(d) CONFORMING AMENDMENTS.—

(1) Section 1394(b)(3)(B)(iii) is amended by striking ''or an enterprise community'' and inserting '', an enterprise community, or a qualified low-income community within an applicable nominating jurisdiction''.

(2) Section 1394(b)(3)(D), as redesignated by subsection (c)(1), is amended by striking ''DEFINITIONS'' and inserting ''OTHER DEFINITIONS''.

(e) EFFECTIVE DATES.—

(1) EXTENSIONS.—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 2014.

(2) MODIFICATIONS.—The amendments made by subsections (b), (c), and (d) shall apply to bonds issued after December 31, 2015.

**SEC. 172. EXTENSION OF TEMPORARY INCREASE IN LIMIT ON COVER OVER OF RUM EXCISE TAXES TO PUERTO RICO AND THE VIRGIN ISLANDS.**

(a) IN GENERAL.—Section 7652(f)(1) is amended by striking ‘‘January 1, 2015’’ and inserting ‘‘January 1, 2017’’.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to distilled spirits brought into the United States after December 31, 2014.

**SEC. 173. EXTENSION OF AMERICAN SAMOA ECONOMIC DEVELOPMENT CREDIT.**

(a) IN GENERAL.—Section 119(d) of division A of the Tax Relief and Health Care Act of 2006 is amended—

(1) by striking ‘‘January 1, 2015’’ each place it appears and inserting ‘‘January 1, 2017’’,

(2) by striking ‘‘first 9 taxable years’’ in paragraph (1) and inserting ‘‘first 11 taxable years’’, and

(3) by striking "first 3 taxable years" in paragraph (2) and inserting "first 5 taxable years".

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2014.

**SEC. 174. MORATORIUM ON MEDICAL DEVICE EXCISE TAX.**

(a) IN GENERAL.—Section 4191 is amended by adding at the end the following new subsection:

"(c) MORATORIUM.—The tax imposed under subsection (a) shall not apply to sales during the period beginning on January 1, 2016, and ending on December 31, 2017.".

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to sales after December 31, 2015.

## PART 3—INCENTIVES FOR ENERGY PRODUCTION AND CONSERVATION

**SEC. 181. EXTENSION AND MODIFICATION OF CREDIT FOR NONBUSINESS ENERGY PROPERTY.**

(a) EXTENSION.—Section 25C(g)(2) is amended by striking "December 31, 2014" and inserting "December 31, 2016".

(b) UPDATED ENERGY STAR REQUIREMENTS.—

(1) IN GENERAL.—Section 25C(c)(1) is amended by striking "which meets" and all that follows through "requirements)".

(2) ENERGY EFFICIENT BUILDING ENVELOPE COMPONENT.—Section 25C(c) is amended by redesignating paragraphs (2) and (3) as paragraphs (3) and (4), respectively, and by inserting after paragraph (1) the following new paragraph:

"(2) ENERGY EFFICIENT BUILDING ENVELOPE COMPONENT.—The term 'energy efficient building envelope component' means a building envelope component which meets—

"(A) applicable Energy Star program requirements, in the case of a roof or roof products,

"(B) version 6.0 Energy Star program requirements, in the case of an exterior window, a skylight, or an exterior door, and

"(C) the prescriptive criteria for such component established by the 2009 International Energy Conservation Code, as such Code (including supplements) is in effect on the date of the enactment of the American Recovery and Reinvestment Tax Act of 2009, in the case of any other component.".

(c) EFFECTIVE DATES.—

(1) EXTENSION.—The amendment made by subsection (a) shall apply to property placed in service after December 31, 2014.

(2) MODIFICATION.—The amendments made by subsection (b) shall apply to property placed in service after December 31, 2015.

**SEC. 182. EXTENSION OF CREDIT FOR ALTERNATIVE FUEL VEHICLE REFUELING PROPERTY.**

(a) IN GENERAL.—Section 30C(g) is amended by striking ''December 31, 2014'' and inserting ''December 31, 2016''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to property placed in service after December 31, 2014.

**SEC. 183. EXTENSION OF CREDIT FOR 2-WHEELED PLUG-IN ELECTRIC VEHICLES.**

(a) IN GENERAL.—Section 30D(g)(3)(E) is amended by striking ''acquired'' and all that follows and inserting the following: ''acquired—

''(i) after December 31, 2011, and before January 1, 2014, or

''(ii) in the case of a vehicle that has 2 wheels, after December 31, 2014, and before January 1, 2017.''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to vehicles acquired after December 31, 2014.

**SEC. 184. EXTENSION OF SECOND GENERATION BIOFUEL PRODUCER CREDIT.**

(a) IN GENERAL.—Section 40(b)(6)(J)(i) is amended by striking "January 1, 2015" and inserting "January 1, 2017".

(b) EFFECTIVE DATE.—The amendment made by this subsection shall apply to qualified second generation biofuel production after December 31, 2014.

**SEC. 185. EXTENSION OF BIODIESEL AND RENEWABLE DIESEL INCENTIVES.**

(a) INCOME TAX CREDIT.—

(1) IN GENERAL.—Subsection (g) of section 40A is amended by striking "December 31, 2014" and inserting "December 31, 2016".

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to fuel sold or used after December 31, 2014.

(b) EXCISE TAX INCENTIVES.—

(1) IN GENERAL.—Section 6426(c)(6) is amended by striking "December 31, 2014" and inserting "December 31, 2016".

(2) PAYMENTS.—Section 6427(e)(6)(B) is amended by striking ''December 31, 2014'' and inserting ''December 31, 2016''.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to fuel sold or used after December 31, 2014.

(4) SPECIAL RULE FOR 2015.—Notwithstanding any other provision of law, in the case of any biodiesel mixture credit properly determined under section 6426(c) of the Internal Revenue Code of 1986 for the period beginning on January 1, 2015, and ending on December 31, 2015, such credit shall be allowed, and any refund or payment attributable to such credit (including any payment under section 6427(e) of such Code) shall be made, only in such manner as the Secretary of the Treasury (or the Secretary's delegate) shall provide. Such Secretary shall issue guidance within 30 days after the date of the enactment of this Act providing for a one-time submission of claims covering periods described in the preceding sentence. Such guidance shall provide for a 180-day period for the submission of such claims (in such manner as prescribed by such Secretary) to begin not later than 30 days after such guidance is issued. Such claims shall be paid by such

Secretary not later than 60 days after receipt. If such Secretary has not paid pursuant to a claim filed under this subsection within 60 days after the date of the filing of such claim, the claim shall be paid with interest from such date determined by using the overpayment rate and method under section 6621 of such Code.

**SEC. 186. EXTENSION AND MODIFICATION OF PRODUCTION CREDIT FOR INDIAN COAL FACILITIES.**

(a) IN GENERAL.—Section 45(e)(10)(A) is amended by striking ''9-year period'' each place it appears and inserting ''11-year period''.

(b) REPEAL OF LIMITATION BASED ON DATE FACILITY IS PLACED IN SERVICE.—Section 45(d)(10) is amended to read as follows:

''(10) INDIAN COAL PRODUCTION FACILITY.—The term 'Indian coal production facility' means a facility that produces Indian coal.''.

(c) TREATMENT OF SALES TO RELATED PARTIES.—Section 45(e)(10)(A)(ii)(I) is amended by inserting ''(either directly by the taxpayer or after sale or transfer to one or more related persons)'' after ''unrelated person''.

(d) CREDIT ALLOWED AGAINST ALTERNATIVE MINIMUM TAX.—

(1) IN GENERAL.—Section 38(c)(4)(B), as amended by the preceding provisions of this Act, is amended by redesignating clauses (v) through (x) as clauses (vi) through (xi), respectively, and by inserting after clause (iv) the following new clause:

"(v) the credit determined under section 45 to the extent that such credit is attributable to section 45(e)(10) (relating to Indian coal production facilities),".

(2) CONFORMING AMENDMENT.—Section 45(e)(10) is amended by striking subparagraph (D).

(e) EFFECTIVE DATES.—

(1) EXTENSION.—The amendments made by subsection (a) shall apply to coal produced after December 31, 2014.

(2) MODIFICATIONS.—The amendments made by subsections (b) and (c) shall apply to coal produced and sold after December 31, 2015, in taxable years ending after such date.

(3) CREDIT ALLOWED AGAINST ALTERNATIVE MINIMUM TAX.—The amendments made by subsection (d) shall apply to credits determined for taxable years beginning after December 31, 2015.

**SEC. 187. EXTENSION OF CREDITS WITH RESPECT TO FACILITIES PRODUCING ENERGY FROM CERTAIN RENEWABLE RESOURCES.**

(a) IN GENERAL.—The following provisions of section 45(d) are each amended by striking "January 1, 2015" each place it appears and inserting "January 1, 2017":

(1) Paragraph (2)(A).

(2) Paragraph (3)(A).

(3) Paragraph (4)(B).

(4) Paragraph (6).

(5) Paragraph (7).

(6) Paragraph (9).

(7) Paragraph (11)(B).

(b) EXTENSION OF ELECTION TO TREAT QUALIFIED FACILITIES AS ENERGY PROPERTY.—Section 48(a)(5)(C)(ii) is amended by striking "January 1, 2015" and inserting "January 1, 2017".

(c) EFFECTIVE DATES.—The amendments made by this section shall take effect on January 1, 2015.

**SEC. 188. EXTENSION OF CREDIT FOR ENERGY-EFFICIENT NEW HOMES.**

(a) IN GENERAL.—Section 45L(g) is amended by striking "December 31, 2014" and inserting "December 31, 2016".

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to homes acquired after December 31, 2014.

**SEC. 189. EXTENSION OF SPECIAL ALLOWANCE FOR SECOND GENERATION BIOFUEL PLANT PROPERTY.**

(a) IN GENERAL.—Section 168(l)(2)(D) is amended by striking ‘‘January 1, 2015’’ and inserting ‘‘January 1, 2017’’.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to property placed in service after December 31, 2014.

**SEC. 190. EXTENSION OF ENERGY EFFICIENT COMMERCIAL BUILDINGS DEDUCTION.**

(a) IN GENERAL.—Section 179D(h) is amended by striking ‘‘December 31, 2014’’ and inserting ‘‘December 31, 2016’’.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to property placed in service after December 31, 2014.

**SEC. 191. EXTENSION OF SPECIAL RULE FOR SALES OR DISPOSITIONS TO IMPLEMENT FERC OR STATE ELECTRIC RESTRUCTURING POLICY FOR QUALIFIED ELECTRIC UTILITIES.**

(a) IN GENERAL.—Section 451(i)(3) is amended by striking "January 1, 2015" and inserting "January 1, 2017".

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to dispositions after December 31, 2014.

**SEC. 192. EXTENSION OF EXCISE TAX CREDITS RELATING TO ALTERNATIVE FUELS.**

(a) EXTENSION OF ALTERNATIVE FUELS EXCISE TAX CREDITS.—

(1) IN GENERAL.—Sections 6426(d)(5) and 6426(e)(3) are each amended by striking "December 31, 2014" and inserting "December 31, 2016".

(2) OUTLAY PAYMENTS FOR ALTERNATIVE FUELS.—Section 6427(e)(6)(C) is amended by striking "December 31, 2014" and inserting "December 31, 2016".

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to fuel sold or used after December 31, 2014.

(c) SPECIAL RULE FOR 2015.—Notwithstanding any other provision of law, in the case of any alternative fuel credit properly determined under section 6426(d) of the Internal Revenue Code of 1986 for the period beginning on January 1, 2015, and ending on December 31, 2015, such credit shall be allowed, and any refund or payment attributable to such credit (including any payment under section 6427(e) of such Code) shall be made, only in such manner as the Secretary of the Treasury (or the Secretary's delegate) shall provide. Such Secretary shall issue guidance within 30 days after the date of the enactment of this Act providing for a one-time submission of claims covering periods described in the preceding sentence. Such guidance shall provide for a 180-day period for the submission of such claims (in such manner as prescribed by such Secretary) to begin not later than 30 days after such guidance is issued. Such claims shall be paid by such Secretary not later than 60 days after receipt. If such Secretary has not paid pursuant to a claim filed under this subsection within 60 days after the date of the filing of such claim, the claim shall be paid with interest from such date determined by using the overpayment rate and method under section 6621 of such Code.

**SEC. 193. EXTENSION OF CREDIT FOR NEW QUALIFIED FUEL CELL MOTOR VEHICLES.**

(a) IN GENERAL.—Section 30B(k)(1) is amended by striking "December 31, 2014" and inserting "December 31, 2016".

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to property purchased after December 31, 2014.

# TITLE II—PROGRAM INTEGRITY

**SEC. 201. MODIFICATION OF FILING DATES OF RETURNS AND STATEMENTS RELATING TO EMPLOYEE WAGE INFORMATION AND NONEMPLOYEE COMPENSATION TO IMPROVE COMPLIANCE.**

(a) IN GENERAL.—Section 6071 is amended by redesignating subsection (c) as subsection (d), and by inserting after subsection (b) the following new subsection:

"(c) RETURNS AND STATEMENTS RELATING TO EMPLOYEE WAGE INFORMATION AND NONEMPLOYEE COMPENSATION.—Forms W–2 and W–3 and any returns or statements required by the Secretary to report nonemployee compensation shall be filed on or before January 31 of the year following the calendar year to which such returns relate.".

(b) DATE FOR CERTAIN REFUNDS.—Section 6402 is amended by adding at the end the following new subsection:

"(m) EARLIEST DATE FOR CERTAIN REFUNDS.—No credit or refund of an overpayment for a taxable year shall be made to a taxpayer before the 15th day of the second month following the close of such taxable year if a credit is allowed to such taxpayer under section 24 (by reason of subsection (d) thereof) or 32 for such taxable year.".

(c) CONFORMING AMENDMENT.—Section 6071(b) is amended by striking "subparts B and C of part III of this subchapter" and inserting "subpart B of part III of this subchapter (other than returns and statements required to be filed with respect to nonemployee compensation)".

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to returns and statements relating to calendar years beginning after the date of the enactment of this Act.

(2) DATE FOR CERTAIN REFUNDS.—The amendment made by subsection (b) shall apply to credits or refunds made after December 31, 2016.

**SEC. 202. SAFE HARBOR FOR DE MINIMIS ERRORS ON INFORMATION RETURNS AND PAYEE STATEMENTS.**

(a) IN GENERAL.—Section 6721(c) is amended by adding at the end the following new paragraph:

"(3) SAFE HARBOR FOR CERTAIN DE MINIMIS ERRORS.—

"(A) IN GENERAL.—If, with respect to an information return filed with the Secretary—

"(i) there are 1 or more failures described in subsection (a)(2)(B) relating to an incorrect dollar amount,

"(ii) no single amount in error differs from the correct amount by more than $100, and

"(iii) no single amount reported for tax withheld on any information return differs from the correct amount by more than $25,

then no correction shall be required and, for purposes of this section, such return shall be treated as having been filed with all of the correct required information.

"(B) EXCEPTION.—Subparagraph (A) shall not apply with respect to any incorrect dollar amount to the extent that such error relates to an amount with respect to which an election is made under section 6722(c)(3)(B).

"(C) REGULATORY AUTHORITY.—The Secretary may issue regulations to prevent the abuse of the safe harbor under this paragraph, including regulations providing that this paragraph shall not apply to the extent necessary to prevent any such abuse.".

(b) FAILURE TO FURNISH CORRECT PAYEE STATEMENT.—Section 6722(c) is amended by adding at the end the following new paragraph:

"(3) SAFE HARBOR FOR CERTAIN DE MINIMIS ERRORS.—

"(A) IN GENERAL.—If, with respect to any payee statement—

"(i) there are 1 or more failures described in subsection (a)(2)(B) relating to an incorrect dollar amount,

"(ii) no single amount in error differs from the correct amount by more than $100, and

"(iii) no single amount reported for tax withheld on any information return differs from the correct amount by more than $25, then no correction shall be required and, for purposes of this section, such statement shall be treated as having been filed with all of the correct required information.

"(B) EXCEPTION.—Subparagraph (A) shall not apply to any payee statement if the person to whom such statement is required to be furnished makes an election (at such time and in such manner as the Secretary may prescribe) that subparagraph (A) not apply with respect to such statement.

"(C) REGULATORY AUTHORITY.—The Secretary may issue regulations to prevent the abuse of the safe harbor under this paragraph, including regulations providing that this paragraph shall not apply to the extent necessary to prevent any such abuse.".

(c) APPLICATION TO BROKER REPORTING OF BASIS.—Section 6045(g)(2)(B) is amended by adding at the end the following new clause:

"(iii) TREATMENT OF UNCORRECTED DE MINIMIS ERRORS.—Except as otherwise provided by the Secretary, the customer's adjusted basis shall be determined by treating any incorrect dollar amount which is not required to be corrected by reason of section 6721(c)(3) or section 6722(c)(3) as the correct amount.''.

(d) CONFORMING AMENDMENTS.—

(1) Section 6721(c) is amended by striking ''EXCEPTION FOR DE MINIMIS FAILURES TO INCLUDE ALL REQUIRED INFORMATION'' in the heading and inserting ''EXCEPTIONS FOR CERTAIN DE MINIMIS FAILURES''.

(2) Section 6721(c)(1) is amended by striking ''IN GENERAL'' in the heading and inserting ''EXCEPTION FOR DE MINIMIS FAILURE TO INCLUDE ALL REQUIRED INFORMATION''.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to returns required to be filed, and payee statements required to be provided, after December 31, 2016.

**SEC. 203. REQUIREMENTS FOR THE ISSUANCE OF ITINS.**

(a) IN GENERAL.—Section 6109 is amended by adding at the end the following new subsection:

''(i) SPECIAL RULES RELATING TO THE ISSUANCE OF ITINS.—

''(1) IN GENERAL.—The Secretary is authorized to issue an individual taxpayer identification number to an individual only if the applicant submits an application, using such form as the Secretary may require and including the required documentation—

"(A) in the case of an applicant not described in subparagraph (B)—

"(i) in person to an employee of the Internal Revenue Service or a community-based certified acceptance agent approved by the Secretary, or

"(ii) by mail, pursuant to rules prescribed by the Secretary, or

"(B) in the case of an applicant who resides outside of the United States, by mail or in person to an employee of the Internal Revenue Service or a designee of the Secretary at a United States diplomatic mission or consular post.

"(2) REQUIRED DOCUMENTATION.—For purposes of this subsection—

"(A) IN GENERAL.—The term 'required documentation' includes such documentation as the Secretary may require that proves the individual's identity, foreign status, and residency.

"(B) VALIDITY OF DOCUMENTS.—The Secretary may accept only original documents or certified copies meeting the requirements of the Secretary.

"(3) TERM OF ITIN.—

"(A) IN GENERAL.—An individual taxpayer identification number issued after December 31, 2012, shall remain in effect unless the individual to whom such number is issued does not file a return of tax (or is not included as a dependent on the return of tax of another taxpayer) for 3 consecutive taxable years. In the case of an individual described in the preceding sentence, such number shall expire on the last day of such third consecutive taxable year.

"(B) SPECIAL RULE FOR EXISTING ITINS.—In the case of an individual with respect to whom an individual taxpayer identification number was issued before January 1, 2013, such number shall remain in effect until the earlier of—

"(i) the applicable date, or

"(ii) if the individual does not file a return of tax (or is not included as a dependent on the return of tax of another taxpayer) for 3 consecutive taxable years, the earlier of—

"(I) the last day of such third consecutive taxable year, or

"(II) the last day of the taxable year that includes the date of the enactment of this subsection.

"(C) APPLICABLE DATE.—For purposes of subparagraph (B), the term 'applicable date' means—

"(i) January 1, 2017, in the case of an individual taxpayer identification number issued before January 1, 2008,

"(ii) January 1, 2018, in the case of an individual taxpayer identification number issued in 2008,

"(iii) January 1, 2019, in the case of an individual taxpayer identification number issued in 2009 or 2010, and

"(iv) January 1, 2020, in the case of an individual taxpayer identification number issued in 2011 or 2012.

"(4) DISTINGUISHING ITINS ISSUED SOLELY FOR PURPOSES OF TREATY BENEFITS.—The Secretary shall implement a system that ensures that individual taxpayer identification numbers issued solely for purposes of claiming tax treaty benefits are used only for such purposes, by distinguishing such numbers from other individual taxpayer identification numbers issued.''.

(b) AUDIT BY TIGTA.—Not later than 2 years after the date of the enactment of this Act, and every 2 years thereafter, the Treasury Inspector General for Tax Administration shall conduct an audit of the program of the Internal Revenue Service for the issuance of individual taxpayer identification numbers pursuant to section 6109(i) of the Internal Revenue Code of 1986 (as added by this section) and report the results of such audit to the Committee on Finance of the Senate and the Committee on the Ways and Means of the House of Representatives.

(c) COMMUNITY-BASED CERTIFIED ACCEPTANCE AGENTS.—The Secretary of the Treasury, or the Secretary's delegate, shall maintain a program for training and approving community-based certified acceptance agents for purposes of section 6109(i)(1)(A)(i) of the Internal Revenue Code of 1986 (as added by this section). Persons eligible to be acceptance agents under such program include—

(1) financial institutions (as defined in section 265(b)(5) of such Code and the regulations thereunder),

(2) colleges and universities which are described in section 501(c)(3) of such Code and exempt from taxation under section 501(a) of such Code,

(3) Federal agencies (as defined in section 6402(h) of such Code),

(4) State and local governments, including agencies responsible for vital records,

(5) community-based organizations which are described in subsection (c)(3) or (d) of section 501 of such Code and exempt from taxation under section 501(a) of such Code,

(6) persons that provide assistance to taxpayers in the preparation of their tax returns, and

(7) other persons or categories of persons as authorized by regulations or other guidance of the Secretary of the Treasury.

(d) ITIN STUDY.—

(1) IN GENERAL.—The Secretary of the Treasury, or the Secretary's delegate, shall conduct a study on the effectiveness of the application process for individual taxpayer identification numbers before the implementation of the amendments made by this

section, the effects of the amendments made by this section on such application process, the comparative effectiveness of an in-person review process for application versus other methods of reducing fraud in the ITIN program and improper payments to ITIN holders as a result, and possible administrative and legislative recommendations to improve such process.

(2) SPECIFIC REQUIREMENTS.—Such study shall include an evaluation of the following:

(A) Possible administrative and legislative recommendations to reduce fraud and improper payments through the use of individual taxpayer identification numbers (hereinafter referred to as ''ITINs'').

(B) If data supports an in-person initial review of ITIN applications to reduce fraud and improper payments, the administrative and legislative steps needed to implement such an in-person initial review of ITIN applications, in conjunction with an expansion of the community-based certified acceptance agent program under subsection (c), with a goal of transitioning to such a program by 2020.

(C) Strategies for more efficient processing of ITIN applications.

(D) The acceptance agent program as in existence on the date of the enactment of this Act and ways to expand the geographic availability of agents through the community-based certified acceptance agent program under subsection (c).

(E) Strategies for the Internal Revenue Service to work with other Federal agencies, State and local governments, and other organizations and persons described in subsection (c) to encourage participation in the community-based certified acceptance agent program under subsection (c) to facilitate in-person initial review of ITIN applications.

(F) Typical characteristics (derived from Form W–7 and other sources) of mail applications for ITINs as compared with typical characteristics of in-person applications.

(G) Typical characteristics (derived from 17 Form W–7 and other sources) of ITIN applications before the Internal Revenue Service revised its application procedures in 2012 as compared with typical characteristics of ITIN applications made after such revisions went into effect.

(3) REPORT.—The Secretary, or the Secretary's delegate, shall submit to the Committee on Finance of the Senate and the Committee on Ways and Means of the House of Representatives a report detailing the study under paragraph (1) and its findings not later than 1 year after the date of the enactment of this Act.

(4) ADMINISTRATIVE STEPS.—The Secretary of the Treasury shall implement any administrative steps identified by the report under paragraph (3) not later than 180 days after submitting such report.

(e) MATHEMATICAL OR CLERICAL ERROR AUTHORITY.—Paragraph (2) of section 6213(g) of the Internal Revenue Code of 1986 is amended by striking ''and'' at the end of subparagraph (M), by striking the period at the end of subparagraph (N) and inserting '', and'', and by inserting after subparagraph (N) the following new subparagraph:

''(O) the inclusion on a return of an individual taxpayer identification number issued under section 6109(i) which has expired, been revoked by the Secretary, or is otherwise invalid.''.

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to applications for individual taxpayer identification numbers made after the date of the enactment of this Act.

**SEC. 204. PREVENTION OF RETROACTIVE CLAIMS OF EARNED INCOME CREDIT AFTER ISSUANCE OF SOCIAL SECURITY NUMBER.**

(a) IN GENERAL.—Section 32(m) is amended by inserting ''on or before the due date for filing the return for the taxable year'' before the period at the end.

(b) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendment made by this section shall apply to any return of tax, and any amendment or supplement to any return of tax, which is filed after the date of the enactment of this Act.

(2) EXCEPTION FOR TIMELY-FILED 2015 RETURNS.—The amendment made by this section shall not apply to any return of tax (other than an amendment or supplement to any return of tax) for any taxable year which includes the date of the enactment of this Act if such return is filed on or before the due date for such return of tax.

**SEC. 205. PREVENTION OF RETROACTIVE CLAIMS OF CHILD TAX CREDIT.**

(a) QUALIFYING CHILD IDENTIFICATION REQUIREMENT.—Section 24(e) is amended by inserting ‘‘and such taxpayer identification number was issued on or before the due date for filing such return’’ before the period at the end.

(b) TAXPAYER IDENTIFICATION REQUIREMENT.—Section 24(e), as amended by subsection (a) is amended—

(1) by striking ‘‘IDENTIFICATION REQUIREMENT.—No credit shall be allowed’’ and inserting the following: ‘‘IDENTIFICATION REQUIREMENTS.—

‘‘(1) QUALIFYING CHILD IDENTIFICATION REQUIREMENT.—No credit shall be allowed’’, and

(2) by adding at the end the following new paragraph:

‘‘(2) TAXPAYER IDENTIFICATION REQUIREMENT.—No credit shall be allowed under this section if the identifying number of the taxpayer was issued after the due date for filing the return for the taxable year.’’.

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply to any return of tax, and any amendment or supplement to any return of tax,

which is filed after the date of the enactment of this Act.

(2) EXCEPTION FOR TIMELY-FILED 2015 RETURNS.—The amendments made by this section shall not apply to any return of tax (other than an amendment or supplement to any return of tax) for any taxable year which includes the date of the enactment of this Act if such return is filed on or before the due date for such return of tax.

**SEC. 206. PREVENTION OF RETROACTIVE CLAIMS OF AMERICAN OPPORTUNITY TAX CREDIT.**

(a) IN GENERAL.—Section 25A(i) is amended—

(1) by striking paragraph (6), and

(2) by inserting after paragraph (5) the following new paragraph:

"(6) IDENTIFICATION NUMBERS.—

"(A) STUDENT.—The requirements of subsection (g)(1) shall not be treated as met with respect to the Hope Scholarship Credit unless the individual's taxpayer identification number was issued on or before the due date for filing the return of tax for the taxable year.

"(B) TAXPAYER.—No Hope Scholarship Credit shall be allowed under this section if the identifying number of the taxpayer was issued after the due date for filing the return for the taxable year.''.

(b) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendment made by subsection (a)(2) shall apply to any return of tax, and any amendment or supplement to any return of tax, which is filed after the date of the enactment of this Act.

(2) EXCEPTION FOR TIMELY-FILED 2015 RETURNS.—The amendment made by subsection (a)(2) shall not apply to any return of tax (other than an amendment or supplement to any return of tax) for any taxable year which includes the date of the enactment of this Act if such return is filed on or before the due date for such return of tax.

(3) REPEAL OF DEADWOOD.—The amendment made by subsection (a)(1) shall take effect on the date of the enactment of this Act.

**SEC. 207. PROCEDURES TO REDUCE IMPROPER CLAIMS.**

(a) DUE DILIGENCE REQUIREMENTS.—Section 6695(g) is amended—

(1) by striking ''section 32''and inserting ''section 24, 25A(a)(1), or 32'', and

(2) in the heading by inserting "CHILD TAX CREDIT; AMERICAN OPPORTUNITY TAX CREDIT; AND" before "EARNED INCOME CREDIT".

(b) RETURN PREPARER DUE DILIGENCE STUDY.—

(1) IN GENERAL.—The Secretary of the Treasury, or his delegate, shall conduct a study of the effectiveness of tax return preparer due diligence requirements for claiming the earned income tax credit under section 32 of the Internal Revenue Code of 1986, the child tax credit under section 24 of such Code, and the American opportunity tax credit under section 25A(i) of such Code.

(2) REQUIREMENTS.—Such study shall include an evaluation of the following:

(A) The effectiveness of the questions currently asked as part of the due-diligence requirement with respect to minimizing error and fraud.

(B) Whether all such questions are necessary and support improved compliance.

(C) The comparative effectiveness of such questions relative to other means of determining (i) eligibility for these tax credits and (ii) the correct amount of tax credit.

(D) Whether due diligence of this type should apply to other methods of tax filing and whether such requirements should vary based on the methods to increase effectiveness.

(E) The effectiveness of the preparer penalty under section 6695(g) in enforcing the due diligence requirements.

(3) REPORT.—The Secretary, or his delegate, shall submit to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate a report detailing the study and its findings—

(A) in the case of the portion of the study that relates to the earned income tax credit, not later than 1 year after the date of enactment of this Act, and

(B) in the case of the portions of the study that relate to the child tax credit and the American opportunity tax credit, not later than 2 years after the date of the enactment of this Act.

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

**SEC. 208. RESTRICTIONS ON TAXPAYERS WHO IMPROPERLY CLAIMED CREDITS IN PRIOR YEAR.**

(a) RESTRICTIONS.—

(1) CHILD TAX CREDIT.—Section 24 is amended by adding at the end the following new subsection:

"(g) RESTRICTIONS ON TAXPAYERS WHO IMPROPERLY CLAIMED CREDIT IN PRIOR YEAR.—

"(1) TAXPAYERS MAKING PRIOR FRAUDULENT OR RECKLESS CLAIMS.—

"(A) IN GENERAL.—No credit shall be allowed under this section for any taxable year in the disallowance period.

"(B) DISALLOWANCE PERIOD.—For purposes of subparagraph (A), the disallowance period is—

"(i) the period of 10 taxable years after the most recent taxable year for which there was a final determination that the taxpayer's claim of credit under this section was due to fraud, and

"(ii) the period of 2 taxable years after the most recent taxable year for which there was a final determination that the taxpayer's claim of credit under this section was due to reckless or intentional disregard of rules and regulations (but not due to fraud).

"(2) TAXPAYERS MAKING IMPROPER PRIOR CLAIMS.—In the case of a taxpayer who is denied credit under this section for any taxable year as a result of the deficiency procedures under subchapter B of chapter 63, no credit shall be allowed under this section for any subsequent taxable year unless the taxpayer provides such information as the Secretary may require to demonstrate eligibility for such credit.".

(2) AMERICAN OPPORTUNITY TAX CREDIT.—Section 25A(i), as amended by the preceding provisions of this Act, is amended by adding at the end the following new paragraph:

"(7) RESTRICTIONS ON TAXPAYERS WHO IMPROPERLY CLAIMED CREDIT IN PRIOR YEAR.—

"(A) TAXPAYERS MAKING PRIOR FRAUDULENT OR RECKLESS CLAIMS.—

"(i) IN GENERAL.—No credit shall be allowed under this section for any taxable year in the disallowance period.

"(ii) DISALLOWANCE PERIOD.—For purposes of clause (i), the disallowance period is—

"(I) the period of 10 taxable years after the most recent taxable year for which there was a final determination that the taxpayer's claim of credit under this section was due to fraud, and

"(II) the period of 2 taxable years after the most recent taxable year for which there was a final determination that the taxpayer's claim of credit under this section was due to reckless or intentional disregard of rules and regulations (but not due to fraud).

"(B) TAXPAYERS MAKING IMPROPER PRIOR CLAIMS.—In the case of a taxpayer who is denied credit under this section for any taxable year as a result of the deficiency procedures under subchapter B of chapter 63, no credit shall be allowed under this section for any subsequent taxable year unless the taxpayer provides such information as the Secretary may require to demonstrate eligibility for such credit.".

(b) MATH ERROR AUTHORITY.—

(1) EARNED INCOME TAX CREDIT.—Section 6213(g)(2)(K) is amended by inserting before the comma at the end the following: ''or an entry on the return claiming the credit under section 32 for a taxable year for which the credit is disallowed under subsection (k)(1) thereof''.

(2) AMERICAN OPPORTUNITY TAX CREDIT AND CHILD TAX CREDIT.—Section 6213(g)(2), as amended by the preceding provisions of this Act, is amended by striking ''and'' at the end of subparagraph (N), by striking the period at the end of subparagraph (O), and by inserting after subparagraph (O) the following new subparagraphs:

''(P) an omission of information required by section 24(h)(2) or an entry on the return claiming the credit under section 24 for a taxable year for which the credit is disallowed under subsection (h)(1) thereof, and

''(Q) an omission of information required by section 25A(i)(8)(B) or an entry on the return claiming the credit determined under section 25A(i) for a taxable year for which the credit is disallowed under paragraph (8)(A) thereof.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2015.

**SEC. 209. TREATMENT OF CREDITS FOR PURPOSES OF CERTAIN PENALTIES.**

(a) APPLICATION OF UNDERPAYMENT PENALTIES.—Section 6664(a) is amended by adding at the end the following: ‘‘A rule similar to the rule of section 6211(b)(4) shall apply for purposes of this subsection.’’.

(b) PENALTY FOR ERRONEOUS CLAIM OF CREDIT MADE APPLICABLE TO EARNED INCOME CREDIT.—Section 6676(a) is amended by striking ‘‘(other than a claim for a refund or credit relating to the earned income credit under section 32)’’.

(c) REASONABLE CAUSE EXCEPTION FOR ERRONEOUS CLAIM FOR REFUND OR CREDIT.—

(1) IN GENERAL.—Section 6676(a) is amended by striking ‘‘has a reasonable basis’’ and inserting ‘‘is due to reasonable cause’’.

(2) NONECONOMIC SUBSTANCE TRANSACTIONS.—Section 6676(c) is amended by striking ‘‘having a reasonable basis’’ and inserting ‘‘due to reasonable cause’’.

(d) EFFECTIVE DATES.—

(1) UNDERPAYMENT PENALTIES.—The amendment made by subsection (a) shall apply to—

(A) returns filed after the date of the enactment of this Act, and

(B) returns filed on or before such date if the period specified in section 6501 of the Internal Revenue Code of 1986 for assessment of the taxes with respect to which such return relates has not expired as of such date.

(2) PENALTY FOR ERRONEOUS CLAIM OF CREDIT.—The amendment made by subsection (b) shall apply to claims filed after the date of the enactment of this Act.

**SEC. 210. INCREASE THE PENALTY APPLICABLE TO PAID TAX PREPARERS WHO ENGAGE IN WILLFUL OR RECKLESS CONDUCT.**

(a) IN GENERAL.—Section 6694(b)(1)(B) is amended by striking ''50 percent'' and inserting ''75 percent''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to returns prepared for taxable years ending after the date of the enactment of this Act.

**SEC. 211. EMPLOYER IDENTIFICATION NUMBER REQUIRED FOR AMERICAN OPPORTUNITY TAX CREDIT.**

(a) IN GENERAL.—Section 25A(i)(6), as added by this Act, is amended by adding at the end the following new subparagraph:

"(C) INSTITUTION.—No Hope Scholarship Credit shall be allowed under this section unless the taxpayer includes the employer identification number of any institution to which qualified tuition and related expenses were paid with respect to the individual.".

(b) INFORMATION REPORTING.—Section 6050S(b)(2) is amended by striking "and" at the end of subparagraph (B), by redesignating subparagraph (C) as subparagraph (D), and by inserting after subparagraph (B) the following new subparagraph:

"(C) the employer identification number of the institution, and".

(c) EFFECTIVE DATE.—

(1) SUBSECTION (a).—The amendments made by subsection (a) shall apply to taxable years beginning after December 31, 2015.

(2) SUBSECTION (b).—The amendments made by subsection (b) shall apply to expenses paid after December 31, 2015, for education furnished in academic periods beginning after such date.

**SEC. 212. HIGHER EDUCATION INFORMATION REPORTING ONLY TO INCLUDE QUALIFIED TUITION AND RELATED EXPENSES ACTUALLY PAID.**

(a) IN GENERAL.—Section 6050S(b)(2)(B)(i) is amended by striking ''or the aggregate amount billed''.

(b) EFFECTIVE DATE.—The amendments made by subsection (b) shall apply to expenses paid after December 31, 2015, for education furnished in academic periods beginning after such date.

# TITLE III—MISCELLANEOUS PROVISIONS

## Subtitle A—Family Tax Relief

**SEC. 301. EXCLUSION FOR AMOUNTS RECEIVED UNDER THE WORK COLLEGES PROGRAM.**

(a) IN GENERAL.—Paragraph (2) of section 117(c) is amended by striking ''or'' at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting '', or'', and by adding at the end the following new subparagraph:

> ''(C) a comprehensive student work-learning-service program (as defined in section 448(e) of the Higher Education Act of 1965) operated by a work college (as defined in such section).''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts received in taxable years beginning after the date of the enactment of this Act.

**SEC. 302. IMPROVEMENTS TO SECTION 529 ACCOUNTS.**

(a) COMPUTER TECHNOLOGY AND EQUIPMENT PERMANENTLY ALLOWED AS A QUALIFIED HIGHER EDUCATION EXPENSE FOR SECTION 529 ACCOUNTS.—

(1) IN GENERAL.—Section 529(e)(3)(A)(iii) is amended to read as follows:

"(iii) expenses for the purchase of computer or peripheral equipment (as defined in section 168(i)(2)(B)), computer software (as defined in section 197(e)(3)(B)), or Internet access and related services, if such equipment, software, or services are to be used primarily by the beneficiary during any of the years the beneficiary is enrolled at an eligible educational institution.".

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

(b) ELIMINATION OF DISTRIBUTION AGGREGATION REQUIREMENTS.—

(1) IN GENERAL.—Section 529(c)(3) is amended by striking subparagraph (D).

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to distributions after December 31, 2014.

(c) RECONTRIBUTION OF REFUNDED AMOUNTS.—

(1) IN GENERAL.—Section 529(c)(3), as amended by subsection (b), is amended by adding at the end the following new subparagraph:

"(D) SPECIAL RULE FOR CONTRIBUTIONS OF REFUNDED AMOUNTS.—In the case of a beneficiary who receives a refund of any qualified higher education expenses from an eligible educational institution, subparagraph (A) shall not apply to that portion of any distribution for the taxable year which is recontributed to a qualified tuition program of which such individual is a beneficiary, but only to the extent such recontribution is made not later than 60 days after the date of such refund and does not exceed the refunded amount.".

(2) EFFECTIVE DATE.—

(A) IN GENERAL.—The amendment made by this subsection shall apply with respect to refunds of qualified higher education expenses after December 31, 2014.

(B) TRANSITION RULE.—In the case of a refund of qualified higher education expenses received after December 31, 2014, and before the date of the enactment of this Act, section 529(c)(3)(D) of the Internal Revenue Code of 1986 (as added by this subsection) shall be applied by substituting ''not later than 60 days after the date of the enactment of this subparagraph'' for ''not later than 60 days after the date of such refund''.

**SEC. 303. ELIMINATION OF RESIDENCY REQUIREMENT FOR QUALIFIED ABLE PROGRAMS.**

(a) IN GENERAL.—Section 529A(b)(1) is amended by striking subparagraph (C), by inserting ''and'' at the end of subparagraph (B), and by redesignating subparagraph (D) as subparagraph (C).

(b) CONFORMING AMENDMENTS.—

(1) The second sentence of section 529A(d)(3) is amended by striking ''and State of residence''.

(2) Section 529A(e) is amended by striking paragraph (7).

(c) TECHNICAL AMENDMENTS.—

(1) Section 529A(d)(4) is amended by striking ''section 4'' and inserting ''section 103''.

(2) Section 529A(c)(1)(C)(i) is amended by striking ''family member'' and inserting ''member of the family''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2014.

**SEC. 304. EXCLUSION FOR WRONGFULLY INCARCERATED INDIVIDUALS.**

(a) IN GENERAL.—Part III of subchapter B of chapter 1 is amended by inserting before section 140 the following new section:

**''SEC. 139F. CERTAIN AMOUNTS RECEIVED BY WRONGFULLY INCARCERATED INDIVIDUALS.**

''(a) EXCLUSION FROM GROSS INCOME.—In the case of any wrongfully incarcerated individual, gross income shall not include any civil damages, restitution, or other monetary award (including compensatory or statutory damages and restitution imposed in a criminal matter) relating to the incarceration of such individual for the covered offense for which such individual was convicted.

''(b) WRONGFULLY INCARCERATED INDIVIDUAL.—For purposes of this section, the term 'wrongfully incarcerated individual' means an individual—

''(1) who was convicted of a covered offense, "(2) who served all or part of a sentence of imprisonment relating to that covered offense, and

"(3)(A) who was pardoned, granted clemency, or granted amnesty for that covered offense because that individual was innocent of that covered offense, or

"(B)(i) for whom the judgment of conviction for that covered offense was reversed or vacated, and

"(ii) for whom the indictment, information, or other accusatory instrument for that covered offense was dismissed or who was found not guilty at a new trial after the judgment of conviction for that covered offense was reversed or vacated.

"(c) COVERED OFFENSE.—For purposes of this section, the term 'covered offense' means any criminal offense under Federal or State law, and includes any criminal offense arising from the same course of conduct as that criminal offense.".

(b) CONFORMING AMENDMENT.—The table of sections for part III of subchapter B of chapter 1 is amended by inserting after the item relating to section 139E the following new item:

"Sec. 139F. Certain amounts received by wrongfully incarcerated individuals.".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning before, on, or after the date of the enactment of this Act.

(d) WAIVER OF LIMITATIONS.—If the credit or refund of any overpayment of tax resulting from the application of this Act to a period before the date of enactment of this Act is prevented as of such date by the operation of any law or rule of law (including res judicata), such credit or refund may nevertheless be allowed or made if the claim therefor is filed before the close of the 1-year period beginning on the date of the enactment of this Act.

**SEC. 305. CLARIFICATION OF SPECIAL RULE FOR CERTAIN GOVERNMENTAL PLANS.**

(a) IN GENERAL.—Paragraph (1) of section 105(j) is amended—

(1) by striking "the taxpayer" and inserting "a qualified taxpayer", and

(2) by striking "deceased plan participant's beneficiary" and inserting "deceased employee's beneficiary (other than an individual described in paragraph (3)(B))".

(b) QUALIFIED TAXPAYER.—Subsection (j) of section 105 is amended by adding at the end the following new paragraph:

"(3) QUALIFIED TAXPAYER.—For purposes of paragraph (1), with respect to an accident or health plan described in paragraph (2), the term 'qualified taxpayer' means a taxpayer who is—

"(A) an employee, or

"(B) the spouse, dependent (as defined for purposes of subsection (b)), or child (as defined for purposes of such subsection) of an employee.".

(c) APPLICATION TO POLITICAL SUBDIVISIONS OF STATES.—Paragraph (2) of section 105(j) is amended—

(1) by inserting "or established by or on behalf of a State or political subdivision thereof" after "public retirement system", and

(2) by inserting "or 501(c)(9)" after "section 115" in subparagraph (B).

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to payments after the date of the enactment of this Act.

**SEC. 306. ROLLOVERS PERMITTED FROM OTHER RETIREMENT PLANS INTO SIMPLE RETIREMENT ACCOUNTS.**

(a) IN GENERAL.—Section 408(p)(1)(B) is amended by inserting "except in the case of a rollover contribution described in subsection (d)(3)(G) or a rollover contribution otherwise described in subsection (d)(3) or in section 402(c), 403(a)(4), 403(b)(8), or 457(e)(16), which is made after the 2-year period described in section

72(t)(6),'' before ''with respect to which the only contributions allowed''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to contributions made after the date of the enactment of this Act.

**SEC. 307. TECHNICAL AMENDMENT RELATING TO ROLLOVER OF CERTAIN AIRLINE PAYMENT AMOUNTS.**

(a) IN GENERAL.—Section 1106(a) of the FAA Modernization and Reform Act of 2012 (26 U.S.C. 408 note) is amended by adding at the end the following new paragraph:

''(6) SPECIAL RULE FOR CERTAIN AIRLINE PAYMENT AMOUNTS.—In the case of any amount which became an airline payment amount by reason of the amendments made by section 1(b) of Public Law 113–243 (26 U.S.C. 408 note), paragraph (1) shall be applied by substituting '(or, if later, within the period beginning on December 18, 2014, and ending on the date which is 180 days after the date of enactment of the Protecting Americans from Tax Hikes Act of 2015)' for '(or, if later, within 180 days of the date of the enactment of this Act)'.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall take effect as if included in Public Law 113–243 (26 U.S.C. 408 note).

**SEC. 308. TREATMENT OF EARLY RETIREMENT DISTRIBUTIONS FOR NUCLEAR MATERIALS COURIERS, UNITED STATES CAPITOL POLICE, SUPREME COURT POLICE, AND DIPLOMATIC SECURITY SPECIAL AGENTS.**

(a) IN GENERAL.—Section 72(t)(10)(B)(ii), as added by Public Law 114–26, is amended by striking ''or any'' and inserting ''any'' and by inserting before the period at the end the following: '', any nuclear materials courier described in section 8331(27) or 8401(33) of such title, any member of the United States Capitol Police, any member of the Supreme Court Police, or any diplomatic security special agent of the Department of State''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2015.

**SEC. 309. PREVENTION OF EXTENSION OF TAX COLLECTION PERIOD FOR MEMBERS OF THE ARMED FORCES WHO ARE HOSPITALIZED AS A RESULT OF COMBAT ZONE INJURIES.**

(a) IN GENERAL.—Section 7508(e) is amended by adding at the end the following new paragraph:

"(3) COLLECTION PERIOD AFTER ASSESSMENT NOT EXTENDED AS A RESULT OF HOSPITALIZATION.—With respect to any period of continuous qualified hospitalization described in subsection (a) and the next 180 days thereafter, subsection (a) shall not apply in the application of section 6502.".

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxes assessed before, on, or after the date of the enactment of this Act.

# Subtitle B—Real Estate Investment Trusts

### SEC. 311. RESTRICTION ON TAX-FREE SPINOFFS INVOLVING REITS.

(a) IN GENERAL.—Section 355 is amended by adding at the end the following new subsection:

"(h) RESTRICTION ON DISTRIBUTIONS INVOLVING REAL ESTATE INVESTMENT TRUSTS.—

"(1) IN GENERAL.—This section (and so much of section 356 as relates to this section) shall not apply to any distribution if either the distributing corporation or controlled corporation is a real estate investment trust.

"(2) EXCEPTIONS FOR CERTAIN SPINOFFS.—

"(A) SPINOFFS OF A REAL ESTATE INVESTMENT TRUST BY ANOTHER REAL ESTATE

INVESTMENT TRUST.—Paragraph (1) shall not apply to any distribution if, immediately after the distribution, the distributing corporation and the controlled corporation are both real estate investment trusts.

"(B) SPINOFFS OF CERTAIN TAXABLE REIT SUBSIDIARIES.—Paragraph (1) shall not apply to any distribution if—

"(i) the distributing corporation has been a real estate investment trust at all times during the 3-year period ending on the date of such distribution,

"(ii) the controlled corporation has been a taxable REIT subsidiary (as defined in section 856(l)) of the distributing corporation at all times during such period, and

"(iii) the distributing corporation had control (as defined in section 368(c) applied by taking into account stock owned directly or indirectly, including through one or more corporations or partnerships, by the distributing corporation) of the controlled corporation at all times during such period.

A controlled corporation will be treated as meeting the requirements of clauses (ii) and (iii) if the stock of such corporation was distributed by a taxable REIT subsidiary in a transaction to which this section (or so much of section 356 as relates to this section) applies and the assets of such corporation consist solely of the stock or assets of assets held by one or more taxable REIT subsidiaries of the distributing corporation meeting the requirements of clauses (ii) and (iii). For purposes of clause (iii), control of a partnership means ownership of 80 percent of the profits interest and 80 percent of the capital interests.''.

(b) PREVENTION OF REIT ELECTION FOLLOWING TAX-FREE SPIN OFF.—Section 856(c) is amended by redesignating paragraph (8) as paragraph (9) and by inserting after paragraph (7) the following new paragraph:

``(8) ELECTION AFTER TAX-FREE REORGANIZATION.—If a corporation was a distributing corporation or a controlled corporation (other than a controlled corporation with respect to a distribution described in section 355(h)(2)(A)) with respect to any distribution to which section 355 (or so much of section 356 as relates to section 355) applied, such corporation (and any successor corporation) shall not be eligible to make any election under paragraph (1) for any taxable year beginning before the end of the 10-year period beginning on the date of such distribution.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions on or after December 7, 2015, but shall not apply to any distribution pursuant to a transaction described in a ruling request initially submitted to the Internal Revenue Service on or before such date, which request has not been withdrawn and with respect to which a ruling has not been issued or denied in its entirety as of such date.

**SEC. 312. REDUCTION IN PERCENTAGE LIMITATION ON ASSETS OF REIT WHICH MAY BE TAXABLE REIT SUBSIDIARIES.**

(a) IN GENERAL.—Section 856(c)(4)(B)(ii) is amended by striking ''25 percent'' and inserting ''20 percent''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2017.

**SEC. 313. PROHIBITED TRANSACTION SAFE HARBORS.**

(a) ALTERNATIVE 3–YEAR AVERAGING TEST FOR PERCENTAGE OF ASSETS THAT CAN BE SOLD ANNUALLY.—

(1) IN GENERAL.—Clause (iii) of section 857(b)(6)(C) is amended by inserting before the semicolon at the end the following: ", or (IV) the trust satisfies the requirements of subclause (II) applied by substituting '20 percent' for '10 percent' and the 3-year average adjusted bases percentage for the taxable year (as defined in subparagraph (G)) does not exceed 10 percent, or (V) the trust satisfies the requirements of subclause (III) applied by substituting '20 percent' for '10 percent' and the 3-year average fair market value percentage for the taxable year (as defined in subparagraph (H)) does not exceed 10 percent".

(2) 3-YEAR AVERAGE ADJUSTED BASES AND FAIR MARKET VALUE PERCENTAGES.—Paragraph (6) of section 857(b) is amended by redesignating subparagraphs (G) and (H) as subparagraphs (I) and (J), respectively, and by inserting after subparagraph (F) the following new subparagraphs:

"(G) 3-YEAR AVERAGE ADJUSTED BASES PERCENTAGE.—The term '3-year average adjusted bases percentage' means, with respect to any taxable year, the ratio (expressed as a percentage) of—

"(i) the aggregate adjusted bases (as determined for purposes of computing earnings and profits) of property (other than sales of foreclosure property or sales to which section 1033 applies) sold during the 3 taxable year period ending with such taxable year, divided by

"(ii) the sum of the aggregate adjusted bases (as so determined) of all of the assets of the trust as of the beginning of each of the 3 taxable years which are part of the period referred to in clause (i).

"(H) 3-YEAR AVERAGE FAIR MARKET VALUE PERCENTAGE.—The term '3-year average fair market value percentage' means, with respect to any taxable year, the ratio (expressed as a percentage) of—

"(i) the fair market value of property (other than sales of foreclosure property or sales to which section 1033 applies) sold during the 3 taxable year period ending with such taxable year, divided by "(ii) the sum of the fair market value of all of the assets of the trust as of the beginning of each of the 3 taxable years which are part of the period referred to in clause (i).".

(3) CONFORMING AMENDMENTS.—Clause (iv) of section 857(b)(6)(D) is amended by adding "or" at the end of subclause (III) and by adding at the end the following new subclauses:

"(IV) the trust satisfies the requirements of subclause (II) applied by substituting '20 percent' for '10 percent' and the 3-year average adjusted bases percentage for the taxable year (as defined in subparagraph (G)) does not exceed 10 percent, or

"(V) the trust satisfies the requirements of subclause (III) applied by substituting '20 percent' for '10 percent' and the 3-year average fair market value percentage for the taxable year (as defined in subparagraph (H)) does not exceed 10 percent,".

(b) APPLICATION OF SAFE HARBORS INDEPENDENT OF DETERMINATION WHETHER REAL ESTATE ASSET IS INVENTORY PROPERTY.—

(1) IN GENERAL.—Subparagraphs (C) and (D) of section 857(b)(6) are each amended by striking "and which is described in section 1221(a)(1)" in the matter preceding clause (i).

(2) NO INFERENCE FROM SAFE HARBORS.—Subparagraph (F) of section 857(b)(6) is amended to read as follows:

"(F) NO INFERENCE WITH RESPECT TO TREATMENT AS INVENTORY PROPERTY.—The determination of whether property is described in section 1221(a)(1) shall be made without regard to this paragraph.".

(c) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by subsection (a) shall apply to taxable years beginning after the date of the enactment of this Act.

(2) APPLICATION OF SAFE HARBORS.—

(A) IN GENERAL.—Except as provided in subparagraph (B), the amendments made by subsection (b) shall take effect as if included in section 3051 of the Housing Assistance Tax Act of 2008.

(B) RETROACTIVE APPLICATION OF NO INFERENCE NOT APPLICABLE TO CERTAIN TIMBER PROPERTY PREVIOUSLY TREATED AS NOT INVENTORY PROPERTY.—The amendment made by subsection (b)(2) shall not apply to any sale of property to which section 857(b)(6)(G) of the Internal Revenue Code of 1986 (as in effect on the day before the date of the enactment of this Act) applies.

**SEC. 314. REPEAL OF PREFERENTIAL DIVIDEND RULE FOR PUBLICLY OFFERED REITS.**

(a) IN GENERAL.—Section 562(c) is amended by inserting ‘‘or a publicly offered REIT’’ after ‘‘a publicly offered regulated investment company (as defined in section 67(c)(2)(B))’’.

(b) PUBLICLY OFFERED REIT.—Section 562(c), as amended by subsection (a), is amended—

(1) by striking ‘‘Except in the case of’’ and inserting the following:

‘‘(1) IN GENERAL.—Except in the case of’’, and

(2) by adding at the end the following new paragraph:

‘‘(2) PUBLICLY OFFERED REIT.—For purposes of this subsection, the term ‘publicly offered REIT’ means a real estate investment trust which is required to file annual and periodic reports with the Securities and Exchange Commission under the Securities Exchange Act of 1934.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions in taxable years beginning after December 31, 2014.

**SEC. 315. AUTHORITY FOR ALTERNATIVE REMEDIES TO ADDRESS CERTAIN REIT DISTRIBUTION FAILURES.**

(a) IN GENERAL.—Subsection (e) of section 562 is amended—

(1) by striking ''In the case of a real estate investment trust'' and inserting the following:

''(1) DETERMINATION OF EARNINGS AND PROFITS FOR PURPOSES OF DIVIDENDS PAID DEDUCTION.—In the case of a real estate investment trust'', and

(2) by adding at the end the following new paragraph:

''(2) AUTHORITY TO PROVIDE ALTERNATIVE REMEDIES FOR CERTAIN FAILURES.—In the case of a failure of a distribution by a real estate investment trust to comply with the requirements of subsection (c), the Secretary may provide an appropriate remedy to cure such failure in lieu of not considering the distribution to be a dividend for purposes of computing the dividends paid deduction if—

"(A) the Secretary determines that such failure is inadvertent or is due to reasonable cause and not due to willful neglect, or

"(B) such failure is of a type of failure which the Secretary has identified for purposes of this paragraph as being described in subparagraph (A).".

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions in taxable years beginning after December 31, 2015.

**SEC. 316. LIMITATIONS ON DESIGNATION OF DIVIDENDS BY REITS.**

(a) IN GENERAL.—Section 857 is amended by redesignating subsection (g) as subsection (h) and by inserting after subsection (f) the following new subsection:

"(g) LIMITATIONS ON DESIGNATION OF DIVIDENDS.—

"(1) OVERALL LIMITATION.—The aggregate amount of dividends designated by a real estate investment trust under subsections (b)(3)(C) and (c)(2)(A) with respect to any taxable year may not exceed the dividends paid by such trust with respect to such year. For purposes of the preceding sentence, dividends paid after the close of the taxable year described in section 858 shall be treated as paid with respect to such year.

"(2) PROPORTIONALITY.—The Secretary may prescribe regulations or other guidance requiring the proportionality of the designation of particular types of dividends among shares or beneficial interests of a real estate investment trust.".

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions in taxable years beginning after December 31, 2015.

**SEC. 317. DEBT INSTRUMENTS OF PUBLICLY OFFERED REITS AND MORTGAGES TREATED AS REAL ESTATE ASSETS.**

(a) DEBT INSTRUMENTS OF PUBLICLY OFFERED REITS TREATED AS REAL ESTATE ASSETS.—

(1) IN GENERAL.—Subparagraph (B) of section 856(c)(5) is amended—

(A) by striking "and shares" and inserting ", shares", and

(B) by inserting ", and debt instruments issued by publicly offered REITs" before the period at the end of the first sentence.

(2) INCOME FROM NONQUALIFIED DEBT INSTRUMENTS OF PUBLICLY OFFERED REITS NOT

QUALIFIED FOR PURPOSES OF SATISFYING THE 75 PERCENT GROSS INCOME TEST.—Subparagraph (H) of section 856(c)(3) is amended by inserting ‘‘(other than a nonqualified publicly offered REIT debt instrument)’’ after ‘‘real estate asset’’.

(3) 25 PERCENT ASSET LIMITATION ON HOLDING OF NONQUALIFIED DEBT INSTRUMENTS OF PUBLICLY OFFERED REITS.—Subparagraph (B) of section 856(c)(4) is amended by redesignating clause (iii) as clause (iv) and by inserting after clause (ii) the following new clause:

‘‘(iii) not more than 25 percent of the value of its total assets is represented by nonqualified publicly offered REIT debt instruments, and’’.

(4) DEFINITIONS RELATED TO DEBT INSTRUMENTS OF PUBLICLY OFFERED REITS.—Paragraph (5) of section 856(c) is amended by adding at the end the following new subparagraph:

‘‘(L) DEFINITIONS RELATED TO DEBT INSTRUMENTS OF PUBLICLY OFFERED REITS.—

‘‘(i) PUBLICLY OFFERED REIT.—The term ‘publicly offered REIT’ has the meaning given such term by section 562(c)(2).

"(ii) NONQUALIFIED PUBLICLY OFFERED REIT DEBT INSTRUMENT.—The term 'nonqualified publicly offered REIT debt instrument' means any real estate asset which would cease to be a real estate asset if subparagraph (B) were applied without regard to the reference to 'debt instruments issued by publicly offered REITs'.".

(b) INTERESTS IN MORTGAGES ON INTERESTS IN REAL PROPERTY TREATED AS REAL ESTATE ASSETS.—Subparagraph (B) of section 856(c)(5) is amended by inserting "or on interests in real property" after "interests in mortgages on real property".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2015.

**SEC. 318. ASSET AND INCOME TEST CLARIFICATION REGARDING ANCILLARY PERSONAL PROPERTY.**

(a) IN GENERAL.—Subsection (c) of section 856, as amended by the preceding provisions of this Act, is amended by redesignating paragraph (9) as paragraph (10) and by inserting after paragraph (8) the following new paragraph:

"(9) SPECIAL RULES FOR CERTAIN PERSONAL PROPERTY WHICH IS ANCILLARY TO REAL PROPERTY.—

"(A) CERTAIN PERSONAL PROPERTY LEASED IN CONNECTION WITH REAL PROPERTY.—Personal property shall be treated as a real estate asset for purposes of paragraph (4)(A) to the extent that rents attributable to such personal property are treated as rents from real property under subsection (d)(1)(C).

"(B) CERTAIN PERSONAL PROPERTY MORTGAGED IN CONNECTION WITH REAL PROPERTY.—In the case of an obligation secured by a mortgage on both real property and personal property, if the fair market value of such personal property does not exceed 15 percent of the total fair market value of all such property, such obligation shall be treated—

"(i) for purposes of paragraph (3)(B), as an obligation described therein, and

"(ii) for purposes of paragraph (4)(A), as a real estate asset.

For purposes of the preceding sentence, the fair market value of all such property shall be determined in the same manner as the fair market value of real property is determined for purposes of apportioning interest income between real property and personal property under paragraph (3)(B).''.

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

**SEC. 319. HEDGING PROVISIONS.**

(a) MODIFICATION TO PERMIT THE TERMINATION OF A HEDGING TRANSACTION USING AN ADDITIONAL HEDGING INSTRUMENT.—Subparagraph (G) of section 856(c)(5) is amended by striking ''and'' at the end of clause (i), by striking the period at the end of clause (ii) and inserting '', and'', and by adding at the end the following new clause:

''(iii) if—

''(I) a real estate investment trust enters into one or more positions described in clause (i) with respect to indebtedness described in clause (i) or one or more positions described in clause (ii) with respect to property which generates income or gain described in paragraph (2) or (3), "(II) any portion of such indebtedness is extinguished or any portion of such property is disposed of, and

"(III) in connection with such extinguishment or disposition, such trust enters into one or more transactions which would be hedging transactions described in clause (ii) or (iii) of section 1221(b)(2)(A) with respect to any position referred to in subclause (I) if such position were ordinary property,

any income of such trust from any position referred to in subclause (I) and from any transaction referred to in subclause (III) (including gain from the termination of any such position or transaction) shall not constitute gross income under paragraphs (2) and (3) to the extent that such transaction hedges such position.".

(b) IDENTIFICATION REQUIREMENTS.—

(1) IN GENERAL.—Subparagraph (G) of section 856(c)(5), as amended by subsection (a), is amended by striking "and" at the end of clause (ii), by striking the period at the end of clause (iii) and inserting

", and", and by adding at the end the following new clause:

"(iv) clauses (i), (ii), and (iii) shall not apply with respect to any transaction unless such transaction satisfies the identification requirement described in section 1221(a)(7) (determined after taking into account any curative provisions provided under the regulations referred to therein).".

(2) CONFORMING AMENDMENTS.—Subparagraph (G) of section 856(c)(5) is amended—

(A) by striking "which is clearly identified pursuant to section 1221(a)(7)" in clause (i), and

(B) by striking ", but only if such transaction is clearly identified as such before the close of the day on which it was acquired, originated, or entered into (or such other time as the Secretary may prescribe)" in clause (ii).

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2015.

**SEC. 320. MODIFICATION OF REIT EARNINGS AND PROFITS CALCULATION TO AVOID DUPLICATE TAXATION.**

(a) EARNINGS AND PROFITS NOT INCREASED BY AMOUNTS ALLOWED IN COMPUTING TAXABLE INCOME IN PRIOR YEARS.—Section 857(d) is amended—

(1) by amending paragraph (1) to read as follows:

"(1) IN GENERAL.—The earnings and profits of a real estate investment trust for any taxable year (but not its accumulated earnings) shall not be reduced by any amount which—

"(A) is not allowable in computing its taxable income for such taxable year, and

"(B) was not allowable in computing its taxable income for any prior taxable year.", and

(2) by adding at the end the following new paragraphs:

"(4) REAL ESTATE INVESTMENT TRUST.—For purposes of this subsection, the term 'real estate investment trust' includes a domestic corporation, trust, or association which is a real estate investment trust determined without regard to the requirements of subsection (a).

"(5) SPECIAL RULES FOR DETERMINING EARNINGS AND PROFITS FOR PURPOSES OF THE DEDUC-

TION FOR DIVIDENDS PAID.—For special rules for determining the earnings and profits of a real estate investment trust for purposes of the deduction for dividends paid, see section 562(e)(1).''.

(b) EXCEPTION FOR PURPOSES OF DETERMINING DIVIDENDS PAID DEDUCTION.—Section 562(e)(1), as amended by the preceding provisions of this Act, is amended by striking ''deduction, the earnings'' and all that follows and inserting the following: ''deduction—

''(A) the earnings and profits of such trust for any taxable year (but not its accumulated earnings) shall be increased by the amount of gain (if any) on the sale or exchange of real property which is taken into account in determining the taxable income of such trust for such taxable year (and not otherwise taken into account in determining such earnings and profits), and

''(B) section 857(d)(1) shall be applied without regard to subparagraph (B) thereof.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2015.

**SEC. 321. TREATMENT OF CERTAIN SERVICES PROVIDED BY TAXABLE REIT SUBSIDIARIES.**

(a) TAXABLE REIT SUBSIDIARIES TREATED IN SAME MANNER AS INDEPENDENT CONTRACTORS FOR CERTAIN PURPOSES.—

(1) MARKETING AND DEVELOPMENT EXPENSES UNDER RENTAL PROPERTY SAFE HARBOR.—Clause (v) of section 857(b)(6)(C) is amended by inserting ‘‘or a taxable REIT subsidiary’’ before the period at the end.

(2) MARKETING EXPENSES UNDER TIMBER SAFE HARBOR.—Clause (v) of section 857(b)(6)(D) is amended by striking ‘‘, in the case of a sale on or before the termination date,’’.

(3) FORECLOSURE PROPERTY GRACE PERIOD.—Subparagraph (C) of section 856(e)(4) is amended by inserting ‘‘or through a taxable REIT subsidiary’’ after ‘‘receive any income’’.

(b) TAX ON REDETERMINED TRS SERVICE INCOME.—

(1) IN GENERAL.—Subparagraph (A) of section 857(b)(7) is amended by striking ‘‘and excess interest’’ and inserting ‘‘excess interest, and redetermined TRS service income’’.

(2) REDETERMINED TRS SERVICE INCOME.—Paragraph (7) of section 857(b) is amended by re-

designating subparagraphs (E) and (F) as subparagraphs (F) and (G), respectively, and inserting after subparagraph (D) the following new subparagraph:

"(E) REDETERMINED TRS SERVICE INCOME.—

"(i) IN GENERAL.—The term 'redetermined TRS service income' means gross income of a taxable REIT subsidiary of a real estate investment trust attributable to services provided to, or on behalf of, such trust (less deductions properly allocable thereto) to the extent the amount of such income (less such deductions) would (but for subparagraph (F)) be increased on distribution, apportionment, or allocation under section 482.

"(ii) COORDINATION WITH REDETERMINED RENTS.—Clause (i) shall not apply with respect to gross income attributable to services furnished or rendered to a tenant of the real estate investment trust (or to deductions properly allocable thereto).".

(3) CONFORMING AMENDMENTS.—Subparagraphs (B)(i) and (C) of section 857(b)(7) are each

amended by striking "subparagraph (E)" and inserting "subparagraph (F)".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2015.

**SEC. 322. EXCEPTION FROM FIRPTA FOR CERTAIN STOCK OF REITS.**

(a) MODIFICATIONS OF OWNERSHIP RULES.—

(1) IN GENERAL.—Section 897 is amended by adding at the end the following new subsection:

"(k) SPECIAL RULES RELATING TO REAL ESTATE INVESTMENT TRUSTS.—

"(1) INCREASE IN PERCENTAGE OWNERSHIP FOR EXCEPTIONS FOR PERSONS HOLDING PUBLICLY TRADED STOCK.—

"(A) DISPOSITIONS.—In the case of any disposition of stock in a real estate investment trust, paragraphs (3) and (6)(C) of subsection (c) shall each be applied by substituting 'more than 10 percent' for 'more than 5 percent'.

"(B) DISTRIBUTIONS.—In the case of any distribution from a real estate investment trust, subsection (h)(1) shall be applied by substituting '10 percent' for '5 percent'.

"(2) STOCK HELD BY QUALIFIED SHAREHOLDERS NOT TREATED AS USRPI.—

"(A) IN GENERAL.—Except as provided in subparagraph (B)—

"(i) stock of a real estate investment trust which is held directly (or indirectly through 1 or more partnerships) by a qualified shareholder shall not be treated as a United States real property interest, and

"(ii) notwithstanding subsection (h)(1), any distribution to a qualified shareholder shall not be treated as gain recognized from the sale or exchange of a United States real property interest to the extent the stock of the real estate investment trust held by such qualified shareholder is not treated as a United States real property interest under clause (i).

"(B) EXCEPTION.—In the case of a qualified shareholder with 1 or more applicable investors—

"(i) subparagraph (A)(i) shall not apply to so much of the stock of a real estate investment trust held by a qualified shareholder as bears the same ratio to the value of the interests (other than interests held solely as a creditor) held by such applicable investors in the qualified shareholder bears to value of all interests (other than interests held solely as a creditor) in the qualified shareholder, and

"(ii) a percentage equal to the ratio determined under clause (i) of the amounts realized by the qualified shareholder with respect to any disposition of stock in the real estate investment trust or with respect to any distribution from the real estate investment trust attributable to gain from sales or exchanges of a United States real property interest shall be treated as amounts realized from the disposition of United States real property interests.

"(C) SPECIAL RULE FOR CERTAIN DISTRIBUTIONS TREATED AS SALE OR EXCHANGE.—If a distribution by a real estate investment trust is treated as a sale or exchange of stock under section 301(c)(3), 302, or 331 with respect to a qualified shareholder—

"(i) in the case of an applicable investor, subparagraph (B) shall apply with respect to such distribution, and

"(ii) in the case of any other person, such distribution shall be treated under section 857(b)(3)(F) as a dividend from a real estate investment trust notwithstanding any other provision of this title.

"(D) APPLICABLE INVESTOR.—For purposes of this paragraph, the term 'applicable investor' means, with respect to any qualified shareholder holding stock in a real estate investment trust, a person (other than a qualified shareholder) which—

"(i) holds an interest (other than an interest solely as a creditor) in such qualified shareholder, and

"(ii) holds more than 10 percent of the stock of such real estate investment trust (whether or not by reason of the person's ownership interest in the qualified shareholder).

"(E) CONSTRUCTIVE OWNERSHIP RULES.—For purposes of subparagraphs (B)(i) and (C) and paragraph (4), the constructive ownership rules under subsection (c)(6)(C) shall apply.

"(3) QUALIFIED SHAREHOLDER.—For purposes of this subsection—

"(A) IN GENERAL.—The term 'qualified shareholder' means a foreign person which—

"(i)(I) is eligible for benefits of a comprehensive income tax treaty with the United States which includes an exchange of information program and the principal class of interests of which is listed and regularly traded on 1 or more recognized stock exchanges (as defined in such comprehensive income tax treaty), or

"(II) is a foreign partnership that is created or organized under foreign law as a limited partnership in a jurisdiction that has an agreement for the exchange of information with respect to taxes with the United States and has a class of limited partnership units which is regularly traded on the New York Stock Exchange or Nasdaq Stock Market and such class of limited partnership units value is greater than 50 percent of the value of all the partnership units,

"(ii) is a qualified collective investment vehicle, and

"(iii) maintains records on the identity of each person who, at any time during the foreign person's taxable year, holds directly 5 percent or more of the class of interest described in subclause (I) or (II) of clause (i), as the case may be.

"(B) QUALIFIED COLLECTIVE INVESTMENT VEHICLE.—For purposes of this subsection, the term 'qualified collective investment vehicle' means a foreign person—

"(i) which, under the comprehensive income tax treaty described in subparagraph (A)(i), is eligible for a reduced rate of withholding with respect to ordinary dividends paid by a real estate investment trust even if such person holds more than 10 percent of the stock of such real estate investment trust,

"(ii) which—

"(I) is a publicly traded partnership (as defined in section 7704(b)) to which subsection (a) of section 7704 does not apply,

"(II) is a withholding foreign partnership for purposes of chapters 3, 4, and 61,

"(III) if such foreign partnership were a United States corporation, would be a United States real property holding corporation (determined without regard to paragraph (1)) at any time during the 5-year period ending on the date of disposition of, or distribution with respect to, such partnership's interests in a real estate investment trust, or

"(iii) which is designated as a qualified collective investment vehicle by the Secretary and is either—

"(I) fiscally transparent within the meaning of section 894, or

"(II) required to include dividends in its gross income, but entitled to a deduction for distributions to persons holding interests (other than interests solely as a creditor) in such foreign person.

"(4) PARTNERSHIP ALLOCATIONS.—

"(A) IN GENERAL.—For the purposes of this subsection, in the case of an applicable investor who is a nonresident alien individual or a foreign corporation and is a partner in a partnership that is a qualified shareholder, if such partner's proportionate share of USRPI gain for the taxable year exceeds such partner's distributive share of USRPI gain for the taxable year, then

"(i) such partner's distributive share of the amount of gain taken into account under subsection (a)(1) by the partner for the taxable year (determined without regard to this paragraph) shall be increased by the amount of such excess, and

"(ii) such partner's distributive share of items of income or gain for the taxable year that are not treated as gain taken into account under subsection (a)(1) (determined without regard to this paragraph) shall be decreased (but not below zero) by the amount of such excess.

"(B) USRPI GAIN.—For the purposes of this paragraph, the term 'USRPI gain' means the excess (if any) of—

"(i) the sum of—

"(I) any gain recognized from the disposition of a United States real property interest, and

"(II) any distribution by a real estate investment trust that is treated as gain recognized from the sale or exchange of a United States real property interest, over

"(ii) any loss recognized from the disposition of a United States real property interest.

"(C) PROPORTIONATE SHARE OF USRPI GAIN.—For purposes of this paragraph, an applicable investor's proportionate share of USRPI gain shall be determined on the basis of such investor's share of partnership items of income or gain (excluding gain allocated under section 704(c)), whichever results in the largest proportionate share. If the investor's share of partnership items of income or gain (excluding gain allocated under section 704(c)) may vary during the period such investor is a partner in the partnership, such share shall be the highest share such investor may receive.''.

(2) CONFORMING AMENDMENTS.—

(A) Section 897(c)(1)(A) is amended by inserting ''or subsection (k)'' after ''subparagraph (B)'' in the matter preceding clause (i).

(B) Section 857(b)(3)(F) is amended by inserting ''or subparagraph (A)(ii) or (C) of section 897(k)(2)'' after ''897(h)(1)''.

(b) DETERMINATION OF DOMESTIC CONTROL.—

(1) SPECIAL OWNERSHIP RULES.—

(A) IN GENERAL.—Section 897(h)(4) is amended by adding at the end the following new subparagraph:

''(E) SPECIAL OWNERSHIP RULES.—For purposes of determining the holder of stock under subparagraphs (B) and (C)—

''(i) in the case of any class of stock of the qualified investment entity which is regularly traded on an established securities market in the United States, a person holding less than 5 percent of such class of stock at all times during the testing period shall be treated as a United States person unless the qualified investment entity has actual knowledge that such person is not a United States person,

"(ii) any stock in the qualified investment entity held by another qualified investment entity—

"(I) any class of stock of which is regularly traded on an established securities market, or

"(II) which is a regulated investment company which issues redeemable securities (within the meaning of section 2 of the Investment Company Act of 1940),

shall be treated as held by a foreign person, except that if such other qualified investment entity is domestically controlled (determined after application of this subparagraph), such stock shall be treated as held by a United States person, and

"(iii) any stock in the qualified investment entity held by any other qualified investment entity not described in subclause (I) or (II) of clause (ii) shall only be treated as held by a United States person in proportion to the stock of such other qualified investment entity which is (or is treated under clause (ii) or (iii) as) held by a United States person.''.

(B) CONFORMING AMENDMENT.—The heading for paragraph (4) of section 897(h) is amended by inserting ''AND SPECIAL RULES'' after ''DEFINITIONS''.

(2) TECHNICAL AMENDMENT.—Clause (ii) of section 897(h)(4)(A) is amended by inserting ''and for purposes of determining whether a real estate investment trust is a domestically controlled qualified investment entity under this subsection'' after ''real estate investment trust''.

(c) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by subsection (a) shall take effect on the date of enactment and shall apply to—

(A) any disposition on and after the date of the enactment of this Act, and

(B) any distribution by a real estate investment trust on or after the date of the enactment of this Act which is treated as a deduction for a taxable year of such trust ending after such date.

(2) DETERMINATION OF DOMESTIC CONTROL.—The amendments made by subsection (b)(1) shall take effect on the date of the enactment of this Act.

(3) TECHNICAL AMENDMENT.—The amendment made by subsection (b)(2) shall take effect on January 1, 2015.

**SEC. 323. EXCEPTION FOR INTERESTS HELD BY FOREIGN RETIREMENT OR PENSION FUNDS.**

(a) IN GENERAL.—Section 897, as amended by the preceding provisions of this Act, is amended by adding at the end the following new subsection:

''(l) EXCEPTION FOR INTERESTS HELD BY FOREIGN PENSION FUNDS.—

''(1) IN GENERAL.—This section shall not apply to any United States real property interest held directly (or indirectly through 1 or more partnerships) by, or to any distribution received from a real estate investment trust by—

''(A) a qualified foreign pension fund, or

''(B) any entity all of the interests of which are held by a qualified foreign pension fund.

''(2) QUALIFIED FOREIGN PENSION FUND.—For purposes of this subsection, the term 'qualified foreign pension fund' means any trust, corporation, or other organization or arrangement—

"(A) which is created or organized under the law of a country other than the United States,

"(B) which is established to provide retirement or pension benefits to participants or beneficiaries that are current or former employees (or persons designated by such employees) of one or more employers in consideration for services rendered,

"(C) which does not have a single participant or beneficiary with a right to more than five percent of its assets or income,

"(D) which is subject to government regulation and provides annual information reporting about its beneficiaries to the relevant tax authorities in the country in which it is established or operates, and

"(E) with respect to which, under the laws of the country in which it is established or operates—

"(i) contributions to such trust, corporation, organization, or arrangement which would otherwise be subject to tax under such laws are deductible or excluded from the gross income of such entity or taxed at a reduced rate, or

"(ii) taxation of any investment income of such trust, corporation, organization or arrangement is deferred or such income is taxed at a reduced rate.

"(3) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this subsection.".

(b) EXEMPTION FROM WITHHOLDING.—Section 1445(f)(3) is amended by striking "any person" and all that follows and inserting the following: "any person other than—

"(A) a United States person, and

"(B) except as otherwise provided by the Secretary, an entity with respect to which section 897 does not apply by reason of subsection (l) thereof.".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to dispositions and distributions after the date of the enactment of this Act.

**SEC. 324. INCREASE IN RATE OF WITHHOLDING OF TAX ON DISPOSITIONS OF UNITED STATES REAL PROPERTY INTERESTS.**

(a) IN GENERAL.—Subsections (a), (e)(3), (e)(4), and (e)(5) of section 1445 are each amended by striking "10 percent" and inserting "15 percent".

(b) EXCEPTION FOR CERTAIN RESIDENCES.—Section 1445(c) is amended by adding at the end the following new paragraph:

"(4) REDUCED RATE OF WITHHOLDING FOR RESIDENCE WHERE AMOUNT REALIZED DOES NOT EXCEED $1,000,000.—In the case of a disposition—

"(A) of property which is acquired by the transferee for use by the transferee as a residence,

"(B) with respect to which the amount realized for such property does not exceed $1,000,000, and

"(C) to which subsection (b)(5) does not apply,

subsection (a) shall be applied by substituting '10 percent' for '15 percent'.".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to dispositions after the date which is 60 days after the date of the enactment of this Act.

**SEC. 325. INTERESTS IN RICS AND REITS NOT EXCLUDED FROM DEFINITION OF UNITED STATES REAL PROPERTY INTERESTS.**

(a) IN GENERAL.—Section 897(c)(1)(B) is amended by striking "and" at the end of clause (i), by striking the period at the end of clause (ii)(II) and inserting ", and", and by adding at the end the following new clause:

"(iii) neither such corporation nor any predecessor of such corporation was a regulated investment company or a real estate investment trust at any time during the shorter of the periods described in subparagraph (A)(ii).".

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to dispositions on or after the date of the enactment of this Act.

**SEC. 326. DIVIDENDS DERIVED FROM RICS AND REITS INELIGIBLE FOR DEDUCTION FOR UNITED STATES SOURCE PORTION OF DIVIDENDS FROM CERTAIN FOREIGN CORPORATIONS.**

(a) IN GENERAL.—Section 245(a) is amended by adding at the end the following new paragraph:

"(12) DIVIDENDS DERIVED FROM RICS AND REITS INELIGIBLE FOR DEDUCTION.—Regulated investment companies and real estate investment trusts shall not be treated as domestic corporations for purposes of paragraph (5)(B).''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to dividends received from regulated investment companies and real estate investment trusts on or after the date of the enactment of this Act.

(c) NO INFERENCE.—Nothing contained in this section or the amendments made by this section shall be construed to create any inference with respect to the proper treatment under section 245 of the Internal Revenue Code of 1986 of dividends received from regulated investment companies or real estate investment trusts before the date of the enactment of this Act.

# Subtitle C—Additional Provisions

### SEC. 331. DEDUCTIBILITY OF CHARITABLE CONTRIBUTIONS TO AGRICULTURAL RESEARCH ORGANIZATIONS.

(a) IN GENERAL.—Subparagraph (A) of section 170(b)(1) is amended by striking ''or'' at the end of clause (vii), by striking the comma at the end of clause (viii) and inserting '', or'', and by inserting after clause (viii) the following new clause:

''(ix) an agricultural research organization directly engaged in the continuous active conduct of agricultural research (as defined in section 1404 of the Agricultural Research, Extension, and Teaching Policy Act of 1977) in conjunction with a land-grant college or university (as defined in such section) or a non-land grant college of agriculture (as defined in such section), and during the calendar year in which the contribution is made such organization is committed to spend such contribution for such research before January 1 of the fifth calendar year which begins after the date such contribution is made,''.

(b) EXPENDITURES TO INFLUENCE LEGISLATION.—Paragraph (4) of section 501(h) is amended by redesignating subparagraphs (E) and (F) as subparagraphs (F) and (G), respectively, and by inserting after subparagraph (D) the following new subparagraph:

``(E) section 170(b)(1)(A)(ix) (relating to agricultural research organizations),''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to contributions made on and after the date of the enactment of this Act.

**SEC. 332. REMOVAL OF BOND REQUIREMENTS AND EXTENDING FILING PERIODS FOR CERTAIN TAXPAYERS WITH LIMITED EXCISE TAX LIABILITY.**

(a) FILING REQUIREMENTS.—Paragraph (4) of section 5061(d) of the Internal Revenue Code of 1986 is amended—

(1) in subparagraph (A)—

(A) by striking "In the case of" and inserting the following:

"(i) MORE THAN $1,000 AND NOT MORE THAN $50,000 IN TAXES.—Except as provided in clause (ii), in the case of",

(B) by striking "under bond for deferred payment", and

(C) by adding at the end the following new clause:

"(ii) NOT MORE THAN $1,000 IN TAXES.—In the case of any taxpayer who reasonably expects to be liable for not more than $1,000 in taxes imposed with respect to distilled spirits, wines, and beer under subparts A, C, and D and section 7652 for the calendar year and who was liable for not more than $1,000 in such taxes in the preceding calendar year, the last day for the payment of tax on withdrawals, removals, and entries (and articles brought into the United States from Puerto Rico) shall be the 14th day after the last day of the calendar year.'', and

(2) in subparagraph (B)—

(A) by striking ''Subparagraph (A)'' and inserting the following:

''(i) EXCEEDS $50,000 LIMIT.—Subparagraph (A)(i)'', and

(B) by adding at the end the following new clause:

''(ii) EXCEEDS $1,000 LIMIT.—Subparagraph (A)(ii) shall not apply to any taxpayer for any portion of the calendar year following the first date on which the aggregate amount of tax due under subparts A, C, and D and section 7652 from such taxpayer during such calendar year exceeds $1,000, and any tax under such subparts which has not been paid on such date shall be due on the 14th day after the last day of the calendar quarter in which such date occurs.''.

(b) BOND REQUIREMENTS.—

(1) IN GENERAL.—Section 5551 of such Code is amended—

(A) in subsection (a), by striking ''No individual'' and inserting ''Except as provided under subsection (d), no individual'', and

(B) by adding at the end the following new subsection:

''(d) REMOVAL OF BOND REQUIREMENTS.—

''(1) IN GENERAL.—During any period to which subparagraph (A) of section 5061(d)(4) applies to a taxpayer (determined after application of subparagraph (B) thereof), such taxpayer shall not be required to furnish any bond covering operations or withdrawals of distilled spirits or wines for nonindustrial use or of beer.

''(2) SATISFACTION OF BOND REQUIREMENTS.—Any taxpayer for any period described in paragraph (1) shall be treated as if sufficient bond has been furnished for purposes of covering operations and withdrawals of distilled spirits or wines for nonindustrial use or of beer for purposes of any requirements relating to bonds under this chapter.''.

(2) CONFORMING AMENDMENTS.—

(A) BONDS FOR DISTILLED SPIRITS PLANTS.—Section 5173(a) of such Code is amended—

(i) in paragraph (1), by striking "No person" and inserting "Except as provided under section 5551(d), no person", and

(ii) in paragraph (2), by striking "No distilled spirits" and inserting "Except as provided under section 5551(d), no distilled spirits".

(B) BONDED WINE CELLARS.—Section 5351 of such Code is amended—

(i) by striking "Any person" and inserting the following:

"(a) IN GENERAL.—Any person",

(ii) by inserting ", except as provided under section 5551(d)," before "file bond",

(iii) by striking "Such premises shall" and all that follows through the period, and

(iv) by adding at the end the following new subsection:

"(b) DEFINITIONS.—For purposes of this chapter—

"(1) BONDED WINE CELLAR.—The term 'bonded wine cellar' means any premises described in subsection (a), including any such premises established by a taxpayer described in section 5551(d).

"(2) BONDED WINERY.—At the discretion of the Secretary, any bonded wine cellar that engages in production operations may be designated as a 'bonded winery'.".

(C) BONDS FOR BREWERIES.—Section 5401 of such Code is amended by adding at the end the following new subsection:

"(c) EXCEPTION FROM BOND REQUIREMENTS FOR CERTAIN BREWERIES.—Subsection (b) shall not apply to any taxpayer for any period described in section 5551(d).".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to any calendar quarters beginning more than 1 year after the date of the enactment of this Act.

**SEC. 333. MODIFICATIONS TO ALTERNATIVE TAX FOR CERTAIN SMALL INSURANCE COMPANIES.**

(a) ADDITIONAL REQUIREMENT FOR COMPANIES TO WHICH ALTERNATIVE TAX APPLIES.—

(1) ADDED REQUIREMENT.—

(A) IN GENERAL.—Subparagraph (A) of section 831(b)(2) is amended—

(i) by striking "(including inter-insurers and reciprocal underwriters)", and

(ii) by striking "and" at the end of clause (i), by redesignating clause (ii) as clause (iii), and by inserting after clause (i) the following new clause:

"(ii) such company meets the diversification requirements of subparagraph (B), and".

(B) DIVERSIFICATION REQUIREMENT.—Paragraph (2) of section 831(b) is amended by redesignating subparagraphs (B) as subparagraph (C) and by inserting after subparagraph (A) the following new subparagraph:

"(B) DIVERSIFICATION REQUIREMENTS.—

"(i) IN GENERAL.—An insurance company meets the requirements of this subparagraph if—

"(I) no more than 20 percent of the net written premiums (or, if greater, direct written premiums) of such company for the taxable year is attributable to any one policyholder, or

"(II) such insurance company does not meet the requirement of subclause (I) and no person who holds (directly or indirectly) an interest in such insurance company is a specified holder who holds (directly or indirectly) aggregate interests in such insurance company which constitute a percentage of the entire interests in such insurance company which is more than a de minimis percentage higher than the percentage of interests in the specified assets with respect to such insurance company held (directly or indirectly) by such specified holder.

"(ii) DEFINITIONS.—For purposes of clause (i)(II)—

"(I) SPECIFIED HOLDER.—The term 'specified holder' means, with respect to any insurance company, any individual who holds (directly or indirectly) an interest in such insurance company and who is a spouse or lineal descendant (including by adoption) of an individual who holds an interest (directly or indirectly) in the specified assets with respect to such insurance company.

"(II) SPECIFIED ASSETS.—The term 'specified assets' means, with respect to any insurance company, the trades or businesses, rights, or assets with respect to which the net written premiums (or direct written premiums) of such insurance company are paid.

"(III) INDIRECT INTEREST.—An indirect interest includes any interest held through a trust, estate, partnership, or corporation.

"(IV) DE MINIMIS.—Except as otherwise provided by the Secretary in regulations or other guidance, 2 percentage points or less shall be treated as de minimis.".

(C) CONFORMING AMENDMENTS.—The second sentence section 831(b)(2)(A) is amended—

(i) by striking "clause (ii)" and inserting "clause (iii)", and

(ii) by striking "clause (i)" and inserting "clauses (i) and (ii)".

(2) TREATMENT OF RELATED POLICYHOLDERS.—Clause (i) of section 831(b)(2)(C), as redesignated by paragraph (1)(B), is amended—

(A) by striking "For purposes of subparagraph (A), in determining" and inserting "For purposes of this paragraph—

"(I) in determining",

(B) by striking the period at the end and inserting ", and", and

(C) by adding at the end the following new subclause:

"(II) in determining the attribution of premiums to any policyholder under subparagraph (B)(i), all policyholders which are related (within the meaning of section 267(b) or 707(b)) or are members of the same controlled group shall be treated as one policyholder.".

(3) REPORTING.—Section 831 is amended by redesignating subsection (d) as subsection (e) and by

inserting after subsection (c) the following new subsection:

"(d) REPORTING.—Every insurance company for which an election is in effect under subsection (b) for any taxable year shall furnish to the Secretary at such time and in such manner as the Secretary shall prescribe such information for such taxable year as the Secretary shall require with respect to the requirements of subsection (b)(2)(A)(ii).".

(b) INCREASE IN LIMITATION ON PREMIUMS.—

(1) IN GENERAL.—Clause (i) of section 831(b)(2)(A) is amended by striking "$1,200,000" and inserting "$2,200,000".

(2) INFLATION ADJUSTMENT.—Paragraph (2) of section 831(b), as amended by subsection (a)(1)(B), is amended by adding at the end the following new subparagraph:

"(D) INFLATION ADJUSTMENT.—In the case of any taxable year beginning in a calendar year after 2015, the dollar amount set forth in subparagraph (A)(i) shall be increased by an amount equal to—

"(i) such dollar amount, multiplied by

"(ii) the cost-of-living adjustment determined under section 1(f)(3) for such calendar year by substituting 'calendar year 2013' for 'calendar year 1992' in subparagraph (B) thereof.

If the amount as adjusted under the preceding sentence is not a multiple of $50,000, such amount shall be rounded to the next lowest multiple of $50,000.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2016.

**SEC. 334. TREATMENT OF TIMBER GAINS.**

(a) IN GENERAL.—Section 1201(b) is amended to read as follows:

''(b) SPECIAL RATE FOR QUALIFIED TIMBER GAINS.—

''(1) IN GENERAL.—If, for any taxable year beginning in 2016, a corporation has both a net capital gain and qualified timber gain—

''(A) subsection (a) shall apply to such corporation for the taxable year without regard to whether the applicable tax rate exceeds 35 percent, and

''(B) the tax computed under subsection (a)(2) shall be equal to the sum of—

''(i) 23.8 percent of the least of—

"(I) qualified timber gain,

"(II) net capital gain, or

"(III) taxable income, plus

"(ii) 35 percent of the excess (if any) of taxable income over the sum of the amounts for which a tax was determined under subsection (a)(1) and clause (i).

"(2) QUALIFIED TIMBER GAIN.—For purposes of this section, the term 'qualified timber gain' means, with respect to any taxpayer for any taxable year, the excess (if any) of—

"(A) the sum of the taxpayer's gains described in subsections (a) and (b) of section 631 for such year, over

"(B) the sum of the taxpayer's losses described in such subsections for such year.

For purposes of subparagraphs (A) and (B), only timber held more than 15 years shall be taken into account.".

(b) CONFORMING AMENDMENT.—Section 55(b) is amended by striking paragraph (4).

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2015.

**SEC. 335. MODIFICATION OF DEFINITION OF HARD CIDER.**

(a) IN GENERAL.—Section 5041 of the Internal Revenue Code of 1986 is amended—

(1) in paragraph (6) of subsection (b), by striking ''which is a still wine'' and all that follows through ''alcohol by volume'', and

(2) by adding at the end the following new subsection:

''(g) HARD CIDER.—For purposes of subsection (b)(6), the term 'hard cider' means a wine—

''(1) containing not more than 0.64 gram of carbon dioxide per hundred milliliters of wine, except that the Secretary may by regulations prescribe such tolerances to this limitation as may be reasonably necessary in good commercial practice,

''(2) which is derived primarily—

''(A) from apples or pears, or

''(B) from—

''(i) apple juice concentrate or pear juice concentrate, and

''(ii) water,

''(3) which contains no fruit product or fruit flavoring other than apple or pear, and

''(4) which contains at least one-half of 1 percent and less than 8.5 percent alcohol by volume.''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to hard cider removed during calendar years beginning after December 31, 2016.

**SEC. 336. CHURCH PLAN CLARIFICATION.**

(a) APPLICATION OF CONTROLLED GROUP RULES TO CHURCH PLANS.—

(1) IN GENERAL.—Section 414(c) is amended—

(A) by striking "For purposes" and inserting the following:

"(1) IN GENERAL.—Except as provided in paragraph (2), for purposes", and

(B) by adding at the end the following new paragraph:

"(2) SPECIAL RULES RELATING TO CHURCH PLANS.—

"(A) GENERAL RULE.—Except as provided in subparagraphs (B) and (C), for purposes of this subsection and subsection (m), an organization that is otherwise eligible to participate in a church plan shall not be aggregated with another such organization and treated as a single employer with such other organization for a plan year beginning in a taxable year unless—

"(i) one such organization provides (directly or indirectly) at least 80 percent of the operating funds for the other organization during the preceding taxable year of the recipient organization, and

"(ii) there is a degree of common management or supervision between the organizations such that the organization providing the operating funds is directly involved in the day-to-day operations of the other organization.

"(B) NONQUALIFIED CHURCH-CONTROLLED ORGANIZATIONS.—Notwithstanding subparagraph (A), for purposes of this subsection and subsection (m), an organization that is a nonqualified church-controlled organization shall be aggregated with 1 or more other nonqualified church-controlled organizations, or with an organization that is not exempt from tax under section 501, and treated as a single employer with such other organization, if at least 80 percent of the directors or trustees of such other organization are either representatives of, or directly or indirectly controlled by, such nonqualified church-controlled organization. For purposes of this subparagraph, the term 'nonqualified church-controlled organization' means a church-controlled tax-exempt organization described in section 501(c)(3) that is not a qualified church-controlled organization (as defined in section 3121(w)(3)(B)).

"(C) PERMISSIVE AGGREGATION AMONG CHURCH-RELATED ORGANIZATIONS.—The church or convention or association of churches with which an organization described in subparagraph (A) is associated (within the meaning of subsection (e)(3)(D)), or an organization designated by such church or convention or association of churches, may elect to treat such organizations as a single employer for a plan year. Such election, once made, shall apply to all succeeding plan years unless revoked with notice provided to the Secretary in such manner as the Secretary shall prescribe.

"(D) PERMISSIVE DISAGGREGATION OF CHURCH-RELATED ORGANIZATIONS.—For purposes of subparagraph (A), in the case of a church plan, an employer may elect to treat churches (as defined in section 403(b)(12)(B)) separately from entities that are not churches (as so defined), without regard to whether such entities maintain separate church plans. Such election, once made, shall apply to all succeeding plan years unless revoked with notice provided to the Secretary in such manner as the Secretary shall prescribe.''.

(2) CLARIFICATION RELATING TO APPLICATION OF ANTI-ABUSE RULE.—The rule of 26 CFR 1.414(c)–5(f) shall continue to apply to each paragraph of section 414(c) of the Internal Revenue Code of 1986, as amended by paragraph (1).

(3) EFFECTIVE DATE.—The amendments made by paragraph (1) shall apply to years beginning before, on, or after the date of the enactment of this Act.

(b) APPLICATION OF CONTRIBUTION AND FUNDING LIMITATIONS TO 403(b) GRANDFATHERED DEFINED BENEFIT PLANS.—

(1) IN GENERAL.—Section 251(e)(5) of the Tax Equity and Fiscal Responsibility Act of 1982 (Public Law 97–248), is amended—

(A) by striking ''403(b)(2)'' and inserting ''403(b)'', and

(B) by inserting before the period at the end the following: '', and shall be subject to the applicable limitations of section 415(b) of such Code as if it were a defined benefit plan under section 401(a) of such Code (and not to the limitations of section 415(c) of such Code).''.

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to years beginning before, on, or after the date of the enactment of this Act.

(c) AUTOMATIC ENROLLMENT BY CHURCH PLANS.—

(1) IN GENERAL.—This subsection shall supersede any law of a State that relates to wage, salary, or payroll payment, collection, deduction, garnishment, assignment, or withholding which would directly or indirectly prohibit or restrict the inclusion in any church plan (as defined in section 414(e) of the Internal Revenue Code of 1986) of an automatic contribution arrangement.

(2) DEFINITION OF AUTOMATIC CONTRIBUTION ARRANGEMENT.—For purposes of this subsection, the term ''automatic contribution arrangement'' means an arrangement—

(A) under which a participant may elect to have the plan sponsor or the employer make payments as contributions under the plan on behalf of the participant, or to the participant directly in cash,

(B) under which a participant is treated as having elected to have the plan sponsor or the employer make such contributions in an amount equal to a uniform percentage of compensation provided under the plan until the participant specifically elects not to have such contributions made (or specifically elects to have such contributions made at a different percentage), and

(C) under which the notice and election requirements of paragraph (3), and the investment requirements of paragraph (4), are satisfied.

(3) NOTICE REQUIREMENTS.—

(A) IN GENERAL.—The plan sponsor of, or plan administrator or employer maintaining, an automatic contribution arrangement shall, within a reasonable period before the first day of each plan year, provide to each participant to whom the arrangement applies for such plan year notice of the participant's rights and obligations under the arrangement which—

(i) is sufficiently accurate and comprehensive to apprise the participant of such rights and obligations, and

(ii) is written in a manner calculated to be understood by the average participant to whom the arrangement applies.

(B) ELECTION REQUIREMENTS.—A notice shall not be treated as meeting the requirements of subparagraph (A) with respect to a participant unless—

(i) the notice includes an explanation of the participant's right under the arrangement not to have elective contributions made on the participant's behalf (or to elect to have such contributions made at a different percentage),

(ii) the participant has a reasonable period of time, after receipt of the explanation described in clause (i) and before the first elective contribution is made, to make such election, and

(iii) the notice explains how contributions made under the arrangement will be invested in the absence of any investment election by the participant.

(4) DEFAULT INVESTMENT.—If no affirmative investment election has been made with respect to any automatic contribution arrangement, contribu-

tions to such arrangement shall be invested in a default investment selected with the care, skill, prudence, and diligence that a prudent person selecting an investment option would use.

(5) EFFECTIVE DATE.—This subsection shall take effect on the date of the enactment of this Act.

(d) ALLOW CERTAIN PLAN TRANSFERS AND MERGERS.—

(1) IN GENERAL.—Section 414 is amended by adding at the end the following new subsection:

"(z) CERTAIN PLAN TRANSFERS AND MERGERS.—

"(1) IN GENERAL.—Under rules prescribed by the Secretary, except as provided in paragraph (2), no amount shall be includible in gross income by reason of—

"(A) a transfer of all or a portion of the accrued benefit of a participant or beneficiary, whether or not vested, from a church plan that is a plan described in section 401(a) or an annuity contract described in section 403(b) to an annuity contract described in section 403(b), if such plan and annuity contract are both maintained by the same church or convention or association of churches, "(B) a transfer of all or a portion of the accrued benefit of a participant or beneficiary, whether or not vested, from an annuity contract described in section 403(b) to a church plan that is a plan described in section 401(a), if such plan and annuity contract are both maintained by the same church or convention or association of churches, or

"(C) a merger of a church plan that is a plan described in section 401(a), or an annuity contract described in section 403(b), with an annuity contract described in section 403(b), if such plan and annuity contract are both maintained by the same church or convention or association of churches.

"(2) LIMITATION.—Paragraph (1) shall not apply to a transfer or merger unless the participant's or beneficiary's total accrued benefit immediately after the transfer or merger is equal to or greater than the participant's or beneficiary's total accrued benefit immediately before the transfer or merger, and such total accrued benefit is nonforfeitable after the transfer or merger.

"(3) QUALIFICATION.—A plan or annuity contract shall not fail to be considered to be described in section 401(a) or 403(b) merely because such plan or annuity contract engages in a transfer or merger described in this subsection.

"(4) DEFINITIONS.—For purposes of this subsection—

"(A) CHURCH OR CONVENTION OR ASSOCIATION OF CHURCHES.—The term 'church or convention or association of churches' includes an organization described in subparagraph (A) or (B)(ii) of subsection (e)(3).

"(B) ANNUITY CONTRACT.—The term 'annuity contract' includes a custodial account described in section 403(b)(7) and a retirement income account described in section 403(b)(9).

"(C) ACCRUED BENEFIT.—The term 'accrued benefit' means—

"(i) in the case of a defined benefit plan, the employee's accrued benefit determined under the plan, and

"(ii) in the case of a plan other than a defined benefit plan, the balance of the employee's account under the plan.".

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to transfers or merg-

ers occurring after the date of the enactment of this Act.

(e) INVESTMENTS BY CHURCH PLANS IN COLLECTIVE TRUSTS.—

(1) IN GENERAL.—In the case of—

(A) a church plan (as defined in section 414(e) of the Internal Revenue Code of 1986), including a plan described in section 401(a) of such Code and a retirement income account described in section 403(b)(9) of such Code, and

(B) an organization described in section 414(e)(3)(A) of such Code the principal purpose or function of which is the administration of such a plan or account,

the assets of such plan, account, or organization (including any assets otherwise permitted to be commingled for investment purposes with the assets of such a plan, account, or organization) may be invested in a group trust otherwise described in Internal Revenue Service Revenue Ruling 81–100 (as modified by Internal Revenue Service Revenue Rulings 2004–67, 2011–1, and 2014–24), or any subsequent revenue ruling that supersedes or modifies such revenue ruling, without adversely affecting the tax status of the group trust, such plan, account, or organization, or any other plan or trust that invests in the group trust.

(2) EFFECTIVE DATE.—This subsection shall apply to investments made after the date of the enactment of this Act.

# Subtitle D—Revenue Provisions

## SEC. 341. UPDATED ASHRAE STANDARDS FOR ENERGY EFFICIENT COMMERCIAL BUILDINGS DEDUCTION.

(a) IN GENERAL.—Paragraph (1) of section 179D(c) is amended by striking ‘‘Standard 90.1–2001’’ each place it appears and inserting ‘‘Standard 90.1–2007’’.

(b) CONFORMING AMENDMENTS.—

(1) Paragraph (2) of section 179D(c) is amended to read as follows:

‘‘(2) STANDARD 90.1–2007.—The term ‘Standard 90.1–2007’ means Standard 90.1–2007 of the American Society of Heating, Refrigerating, and Air Conditioning Engineers and the Illuminating Engineering Society of North America (as in effect on the day before the date of the adoption of Standard 90.1–2010 of such Societies).’’.

(2) Subsection (f) of section 179D is amended by striking ‘‘Standard 90.1–2001’’ each place it ap-

pears in paragraphs (1) and (2)(C)(i) and inserting "Standard 90.1–2007".

(3) Paragraph (1) of section 179D(f) is amended—

(A) by striking "Table 9.3.1.1" and inserting "Table 9.5.1", and

(B) by striking "Table 9.3.1.2" and inserting "Table 9.6.1".

(c) EFFECTIVE DATE.—The amendments made by this subsection shall apply to property placed in service after December 31, 2015.

**SEC. 342. EXCISE TAX CREDIT EQUIVALENCY FOR LIQUIFIED PETROLEUM GAS AND LIQUIFIED NATURAL GAS.**

(a) IN GENERAL.—Section 6426 is amended by adding at the end the following new subsection:

"(j) ENERGY EQUIVALENCY DETERMINATIONS FOR LIQUEFIED PETROLEUM GAS AND LIQUEFIED NATURAL GAS.—For purposes of determining any credit under this section, any reference to the number of gallons of an alternative fuel or the gasoline gallon equivalent of such a fuel shall be treated as a reference to—

"(1) in the case of liquefied petroleum gas, the energy equivalent of a gallon of gasoline, as defined in section 4041(a)(2)(C), and

"(2) in the case of liquefied natural gas, the energy equivalent of a gallon of diesel, as defined in section 4041(a)(2)(D).".

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to fuel sold or used after December 31, 2015.

**SEC. 343. EXCLUSION FROM GROSS INCOME OF CERTAIN CLEAN COAL POWER GRANTS TO NON-CORPORATE TAXPAYERS.**

(a) GENERAL RULE.—In the case of an eligible taxpayer other than a corporation, gross income for purposes of the Internal Revenue Code of 1986 shall not include any amount received under section 402 of the Energy Policy Act of 2005.

(b) REDUCTION IN BASIS.—The basis of any property subject to the allowance for depreciation under the Internal Revenue Code of 1986 which is acquired with any amount to which subsection (a) applies during the 12-month period beginning on the day such amount is received shall be reduced by an amount equal to such amount. The excess (if any) of such amount over the amount of the reduction under the preceding sentence shall be applied to the reduction (as of the last day of the period specified in the preceding sentence) of the basis of any other property held by the taxpayer. The particular properties to which the reductions required by this subsection are allocated shall be determined by the Secretary of the Treasury (or the Secretary's delegate) under regulations similar to the regulations under section 362(c)(2) of such Code.

(c) LIMITATION TO AMOUNTS WHICH WOULD BE CONTRIBUTIONS TO CAPITAL.—Subsection (a) shall not apply to any amount unless such amount, if received by a corporation, would be excluded from gross income under section 118 of the Internal Revenue Code of 1986.

(d) ELIGIBLE TAXPAYER.—For purposes of this section, with respect to any amount received under section 402 of the Energy Policy Act of 2005, the term "eligible taxpayer" means a taxpayer that makes a payment to the Secretary of the Treasury (or the Secretary's delegate) equal to 1.18 percent of the amount so received. Such payment shall be made at such time and in such manner as such Secretary (or the Secretary's delegate) shall prescribe. In the case of a partnership, such Secretary (or the Secretary's delegate) shall prescribe regulations to determine the allocation of such payment amount among the partners.

(e) EFFECTIVE DATE.—This section shall apply to amounts received under section 402 of the Energy Policy

Act of 2005 in taxable years beginning after December 31, 2011.

**SEC. 344. CLARIFICATION OF VALUATION RULE FOR EARLY TERMINATION OF CERTAIN CHARITABLE REMAINDER UNITRUSTS.**

(a) IN GENERAL.—Section 664(e) is amended—

(1) by adding at the end the following: "In the case of the early termination of a trust which is a charitable remainder unitrust by reason of subsection (d)(3), the valuation of interests in such trust for purposes of this section shall be made under rules similar to the rules of the preceding sentence.", and

(2) by striking "FOR PURPOSES OF CHARITABLE CONTRIBUTION" in the heading thereof and inserting "OF INTERESTS".

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to terminations of trusts occurring after the date of the enactment of this Act.

**SEC. 345. PREVENTION OF TRANSFER OF CERTAIN LOSSES FROM TAX INDIFFERENT PARTIES.**

(a) IN GENERAL.—Section 267(d) is amended to read as follows:

"(d) AMOUNT OF GAIN WHERE LOSS PREVIOUSLY DISALLOWED.—

"(1) IN GENERAL.—If—

"(A) in the case of a sale or exchange of property to the taxpayer a loss sustained by the transferor is not allowable to the transferor as a deduction by reason of subsection (a)(1), and

"(B) the taxpayer sells or otherwise disposes of such property (or of other property the basis of which in the taxpayer's hands is determined directly or indirectly by reference to such property) at a gain,

then such gain shall be recognized only to the extent that it exceeds so much of such loss as is properly allocable to the property sold or otherwise disposed of by the taxpayer.

"(2) EXCEPTION FOR WASH SALES.—Paragraph (1) shall not apply if the loss sustained by the transferor is not allowable to the transferor as a deduction by reason of section 1091 (relating to wash sales).

"(3) EXCEPTION FOR TRANSFERS FROM TAX INDIFFERENT PARTIES.—Paragraph (1) shall not apply to the extent any loss sustained by the transferor (if allowed) would not be taken into account in determining a tax imposed under section 1 or 11 or a tax computed as provided by either of such sections.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to sales and other dispositions of property acquired after December 31, 2015, by the taxpayer in a sale or exchange to which section 267(a)(1) of the Internal Revenue Code of 1986 applied.

**SEC. 346. TREATMENT OF CERTAIN PERSONS AS EMPLOYERS WITH RESPECT TO MOTION PICTURE PROJECTS.**

(a) IN GENERAL.—Chapter 25 (relating to general provisions relating to employment taxes) is amended by adding at the end the following new section:

**"SEC. 3512. TREATMENT OF CERTAIN PERSONS AS EMPLOYERS WITH RESPECT TO MOTION PICTURE PROJECTS.**

''(a) IN GENERAL.—For purposes of sections 3121(a)(1) and 3306(b)(1), remuneration paid to a motion picture project worker by a motion picture project employer during a calendar year shall be treated as remuneration paid with respect to employment of such worker by such employer during the calendar year. The identity of such employer for such purposes shall be determined as set forth in this section and without regard to the usual common law rules applicable in determining the employer-employee relationship.

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

"(1) MOTION PICTURE PROJECT EMPLOYER.—The term 'motion picture project employer' means any person if—

"(A) such person (directly or through affiliates)—

"(i) is a party to a written contract covering the services of motion picture project workers with respect to motion picture projects in the course of a client's trade or business,

"(ii) is contractually obligated to pay remuneration to the motion picture project workers without regard to payment or reimbursement by any other person,

"(iii) controls the payment (within the meaning of section 3401(d)(1)) of remuneration to the motion picture project workers and pays such remuneration from its own account or accounts,

"(iv) is a signatory to one or more collective bargaining agreements with a labor organization (as defined in 29 U.S.C.

152(5)) that represents motion picture project workers, and

"(v) has treated substantially all motion picture project workers that such person pays as employees and not as independent contractors during such calendar year for purposes of determining employment taxes under this subtitle, and

"(B) at least 80 percent of all remuneration (to which section 3121 applies) paid by such person in such calendar year is paid to motion picture project workers.

"(2) MOTION PICTURE PROJECT WORKER.—The term 'motion picture project worker' means any individual who provides services on motion picture projects for clients who are not affiliated with the motion picture project employer.

"(3) MOTION PICTURE PROJECT.—The term 'motion picture project' means the production of any property described in section 168(f)(3). Such term does not include property with respect to which records are required to be maintained under section 2257 of title 18, United States Code.

"(4) AFFILIATE; AFFILIATED.—A person shall be treated as an affiliate of, or affiliated with, another person if such persons are treated as a single employer under subsection (b) or (c) of section 414.''.

(b) CLERICAL AMENDMENT.—The table of sections for such chapter 25 is amended by adding at the end the following new item:



(c) EFFECTIVE DATE.—The amendments made by this section shall apply to remuneration paid after December 31, 2015.

(d) NO INFERENCE.—Nothing in the amendments made by this section shall be construed to create any inference on the law before the date of the enactment of this Act.

# TITLE IV—TAX ADMINISTRATION

## Subtitle A—Internal Revenue Service Reforms

### SEC. 401. DUTY TO ENSURE THAT INTERNAL REVENUE SERVICE EMPLOYEES ARE FAMILIAR WITH AND ACT IN ACCORD WITH CERTAIN TAXPAYER RIGHTS.

(a) IN GENERAL.—Section 7803(a) is amended by redesignating paragraph (3) as paragraph (4) and by inserting after paragraph (2) the following new paragraph:

"(3) EXECUTION OF DUTIES IN ACCORD WITH TAXPAYER RIGHTS.—In discharging his duties, the Commissioner shall ensure that employees of the Internal Revenue Service are familiar with and act in accord with taxpayer rights as afforded by other provisions of this title, including—

"(A) the right to be informed,

"(B) the right to quality service,

"(C) the right to pay no more than the correct amount of tax,

"(D) the right to challenge the position of the Internal Revenue Service and be heard,

"(E) the right to appeal a decision of the Internal Revenue Service in an independent forum,

"(F) the right to finality,

"(G) the right to privacy,

"(H) the right to confidentiality,

"(I) the right to retain representation, and

"(J) the right to a fair and just tax system.".

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

**SEC. 402. IRS EMPLOYEES PROHIBITED FROM USING PERSONAL EMAIL ACCOUNTS FOR OFFICIAL BUSINESS.**

No officer or employee of the Internal Revenue Service may use a personal email account to conduct any official business of the Government.

**SEC. 403. RELEASE OF INFORMATION REGARDING THE STATUS OF CERTAIN INVESTIGATIONS.**

(a) IN GENERAL.—Section 6103(e) is amended by adding at the end the following new paragraph:

"(11) DISCLOSURE OF INFORMATION REGARDING STATUS OF INVESTIGATION OF VIOLATION OF THIS SECTION.—In the case of a person who provides to the Secretary information indicating a violation of section 7213, 7213A, or 7214 with respect to any return or return information of such person, the Secretary may disclose to such person (or such person's designee)—

"(A) whether an investigation based on the person's provision of such information has been initiated and whether it is open or closed,

"(B) whether any such investigation substantiated such a violation by any individual, and

"(C) whether any action has been taken with respect to such individual (including whether a referral has been made for prosecution of such individual).''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to disclosures made on or after the date of the enactment of this Act.

**SEC. 404. ADMINISTRATIVE APPEAL RELATING TO ADVERSE DETERMINATIONS OF TAX-EXEMPT STATUS OF CERTAIN ORGANIZATIONS.**

(a) IN GENERAL.—Section 7123 is amended by adding at the end of the following:

''(c) ADMINISTRATIVE APPEAL RELATING TO ADVERSE DETERMINATION OF TAX-EXEMPT STATUS OF CERTAIN ORGANIZATIONS.—

''(1) IN GENERAL.—The Secretary shall prescribe procedures under which an organization which claims to be described in section 501(c) may request an administrative appeal (including a conference relating to such appeal if requested by the organization) to the Internal Revenue Service Office of Appeals of an adverse determination described in paragraph (2).

''(2) ADVERSE DETERMINATIONS.—For purposes of paragraph (1), an adverse determination is described in this paragraph if such determination is adverse to an organization with respect to—

"(A) the initial qualification or continuing qualification of the organization as exempt from tax under section 501(a) or as an organization described in section 170(c)(2),

"(B) the initial classification or continuing classification of the organization as a private foundation under section 509(a), or

"(C) the initial classification or continuing classification of the organization as a private operating foundation under section 4942(j)(3).".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to determinations made on or after May 19, 2014.

**SEC. 405. ORGANIZATIONS REQUIRED TO NOTIFY SECRETARY OF INTENT TO OPERATE UNDER 501(c)(4).**

(a) IN GENERAL.—Part I of subchapter F of chapter 1 is amended by adding at the end the following new section:

**"SEC. 506. ORGANIZATIONS REQUIRED TO NOTIFY SECRETARY OF INTENT TO OPERATE UNDER 501(c)(4).**

"(a) IN GENERAL.—An organization described in section 501(c)(4) shall, not later than 60 days after the organization is established, notify the Secretary (in such manner as the Secretary shall by regulation prescribe) that it is operating as such.

"(b) CONTENTS OF NOTICE.—The notice required under subsection (a) shall include the following information:

"(1) The name, address, and taxpayer identification number of the organization.

"(2) The date on which, and the State under the laws of which, the organization was organized.

"(3) A statement of the purpose of the organization.

"(c) ACKNOWLEDGMENT OF RECEIPT.—Not later than 60 days after receipt of such a notice, the Secretary shall send to the organization an acknowledgment of such receipt.

"(d) EXTENSION FOR REASONABLE CAUSE.—The Secretary may, for reasonable cause, extend the 60-day period described in subsection (a).

"(e) USER FEE.—The Secretary shall impose a reasonable user fee for submission of the notice under subsection (a).

"(f) REQUEST FOR DETERMINATION.—Upon request by an organization to be treated as an organization described in section 501(c)(4), the Secretary may issue a determination with respect to such treatment. Such request shall be treated for purposes of section 6104 as an application for exemption from taxation under section 501(a).''.

(b) SUPPORTING INFORMATION WITH FIRST RETURN.—Section 6033(f) is amended—

(1) by striking the period at the end and inserting ``, and'',

(2) by striking ``include on the return required under subsection (a) the information'' and inserting the following: ``include on the return required under subsection (a)—

``(1) the information'', and

(3) by adding at the end the following new paragraph:

``(2) in the case of the first such return filed by such an organization after submitting a notice to the Secretary under section 506(a), such information as the Secretary shall by regulation require in support of the organization's treatment as an organization described in section 501(c)(4).''.

(c) FAILURE TO FILE INITIAL NOTIFICATION.—Section 6652(c) is amended by redesignating paragraphs (4), (5), and (6) as paragraphs (5), (6), and (7), respectively, and by inserting after paragraph (3) the following new paragraph:

"(4) NOTICES UNDER SECTION 506.—

"(A) PENALTY ON ORGANIZATION.—In the case of a failure to submit a notice required under section 506(a) (relating to organizations required to notify Secretary of intent to operate as 501(c)(4)) on the date and in the manner prescribed therefor, there shall be paid by the organization failing to so submit $20 for each day during which such failure continues, but the total amount imposed under this subparagraph on any organization for failure to submit any one notice shall not exceed $5,000.

"(B) MANAGERS.—The Secretary may make written demand on an organization subject to penalty under subparagraph (A) specifying in such demand a reasonable future date by which the notice shall be submitted for purposes of this subparagraph. If such notice is not submitted on or before such date, there shall be paid by the person failing to so submit $20 for each day after the expiration of the time specified in the written demand during which such failure continues, but the total amount imposed under this subparagraph on all persons for failure to submit any one notice shall not exceed $5,000.''.

(d) CLERICAL AMENDMENT.—The table of sections for part I of subchapter F of chapter 1 is amended by adding at the end the following new item:

``Sec. 506. Organizations required to notify Secretary of intent to operate under 501(c)(4).''.

(e) LIMITATION.—Notwithstanding any other provision of law, any fees collected pursuant to section 506(e) of the Internal Revenue Code of 1986, as added by subsection (a), shall not be expended by the Secretary of the Treasury or the Secretary's delegate unless provided by an appropriations Act.

(f) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply to organizations which are described in section 501(c)(4) of the Internal Revenue Code of 1986 and organized after the date of the enactment of this Act.

(2) CERTAIN EXISTING ORGANIZATIONS.—In the case of any other organization described in section 501(c)(4) of such Code, the amendments made by this section shall apply to such organization only if, on or before the date of the enactment of this Act—

(A) such organization has not applied for a written determination of recognition as an organization described in section 501(c)(4) of such Code, and

(B) such organization has not filed at least one annual return or notice required under subsection (a)(1) or (i) (as the case may be) of section 6033 of such Code.

In the case of any organization to which the amendments made by this section apply by reason of the preceding sentence, such organization shall submit the notice required by section 506(a) of such Code, as added by this Act, not later than 180 days after the date of the enactment of this Act.

## SEC. 406. DECLARATORY JUDGMENTS FOR 501(c)(4) AND OTHER EXEMPT ORGANIZATIONS.

(a) IN GENERAL.—Section 7428(a)(1) is amended by striking ''or'' at the end of subparagraph (C) and by inserting after subparagraph (D) the following new subparagraph:

''(E) with respect to the initial qualification or continuing qualification of an organization as an organization described in section 501(c) (other than paragraph (3)) or 501(d) and exempt from tax under section 501(a), or''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to pleadings filed after the date of the enactment of this Act.

**SEC. 407. TERMINATION OF EMPLOYMENT OF INTERNAL REVENUE SERVICE EMPLOYEES FOR TAKING OFFICIAL ACTIONS FOR POLITICAL PURPOSES.**

(a) IN GENERAL.—Paragraph (10) of section 1203(b) of the Internal Revenue Service Restructuring and Reform Act of 1998 is amended to read as follows:

"(10) performing, delaying, or failing to perform (or threatening to perform, delay, or fail to perform) any official action (including any audit) with respect to a taxpayer for purpose of extracting personal gain or benefit or for a political purpose.".

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

**SEC. 408. GIFT TAX NOT TO APPLY TO CONTRIBUTIONS TO CERTAIN EXEMPT ORGANIZATIONS.**

(a) IN GENERAL.—Section 2501(a) is amended by adding at the end the following new paragraph:

"(6) TRANSFERS TO CERTAIN EXEMPT ORGANIZATIONS.—Paragraph (1) shall not apply to the transfer of money or other property to an organization described in paragraph (4), (5), or (6) of section 501(c) and exempt from tax under section 501(a), for the use of such organization.''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to gifts made after the date of the enactment of this Act.

(c) NO INFERENCE.—Nothing in the amendment made by subsection (a) shall be construed to create any inference with respect to whether any transfer of property (whether made before, on, or after the date of the enactment of this Act) to an organization described in paragraph (4), (5), or (6) of section 501(c) of the Internal Revenue Code of 1986 is a transfer of property by gift for purposes of chapter 12 of such Code.

**SEC. 409. EXTEND INTERNAL REVENUE SERVICE AUTHORITY TO REQUIRE TRUNCATED SOCIAL SECURITY NUMBERS ON FORM W–2.**

(a) WAGES.—Section 6051(a)(2) is amended by striking ''his social security account number'' and inserting ''an identifying number for the employee''.

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

**SEC. 410. CLARIFICATION OF ENROLLED AGENT CREDENTIALS.**

Section 330 of title 31, United States Code, is amended—

(1) by redesignating subsections (b), (c), and (d) as subsections (c), (d), and (e), respectively, and

(2) by inserting after subsection (a) the following new subsection:

"(b) Any enrolled agents properly licensed to practice as required under rules promulgated under subsection (a) shall be allowed to use the credentials or designation of 'enrolled agent', 'EA', or 'E.A.'.".

**SEC. 411. PARTNERSHIP AUDIT RULES.**

(a) CORRECTION AND CLARIFICATION TO MODIFICATIONS TO IMPUTED UNDERPAYMENTS.—

(1) Section 6225(c)(4)(A)(i) is amended by striking "in the case of ordinary income,".

(2) Section 6225(c) is amended by redesignating paragraphs (5) through (7) as paragraphs (6) through (8), respectively, and by inserting after paragraph (4) the following new paragraph:

"(5) CERTAIN PASSIVE LOSSES OF PUBLICLY TRADED PARTNERSHIPS.—

"(A) IN GENERAL.—In the case of a publicly traded partnership (as defined in section 469(k)(2)), such procedures shall provide—

"(i) for determining the imputed underpayment without regard to the portion thereof that the partnership demonstrates is attributable to a net decrease in a specified passive activity loss which is allocable to a specified partner, and

"(ii) for the partnership to take such net decrease into account as an adjustment in the adjustment year with respect to the specified partners to which such net decrease relates.

"(B) SPECIFIED PASSIVE ACTIVITY LOSS.—For purposes of this paragraph, the term 'specified passive activity loss' means, with respect to any specified partner of such publicly traded partnership, the lesser of—

"(i) the passive activity loss of such partner which is separately determined with respect to such partnership under section 469(k) with respect to such partner's taxable year in which or with which the reviewed year of such partnership ends, or

"(ii) such passive activity loss so determined with respect to such partner's taxable year in which or with which the adjustment year of such partnership ends.

"(C) SPECIFIED PARTNER.—For purposes of this paragraph, the term 'specified partner' means any person if such person—

"(i) is a partner of the publicly traded partnership referred to in subparagraph (A),

"(ii) is described in section 469(a)(2), and

"(iii) has a specified passive activity loss with respect to such publicly traded partnership,

with respect to each taxable year of such person which is during the period beginning with the taxable year of such person in which or with which the reviewed year of such publicly traded partnership ends and ending with the taxable year of such person in which or with which the adjustment year of such publicly traded partnership ends.".

(b) CORRECTION AND CLARIFICATION TO JUDICIAL REVIEW OF PARTNERSHIP ADJUSTMENT .—

(1) Section 6226 is amended by adding at the end the following new subsection:

"(d) JUDICIAL REVIEW.—For the time period within which a partnership may file a petition for a readjustment, see section 6234(a).".

(2) Subsections (a)(3), (b)(1), and (d) of section 6234 are each amended by striking "the Claims Court" and inserting "the Court of Federal Claims".

(3) The heading for section 6234(b) is amended by striking "CLAIMS COURT" and inserting "COURT OF FEDERAL CLAIMS".

(c) CORRECTION AND CLARIFICATION TO PERIOD OF LIMITATIONS ON MAKING ADJUSTMENTS.—

(1) Section 6235(a)(2) is amended by striking "paragraph (4)" and inserting "paragraph (7)".

(2) Section 6235(a)(3) is amended by striking "270 days" and inserting "330 days (plus the number of days of any extension consented to by the Secretary under section 6225(c)(7)".

(d) TECHNICAL AMENDMENT.—Section 6031(b) is amended by striking the last sentence and inserting the following: "Except as provided in the procedures under section 6225(c), with respect to statements under section 6226, or as otherwise provided by the Secretary, information required to be furnished by the partnership under this subsection may not be amended after the due date of the return under subsection (a) to which such information relates.''.

(e) EFFECTIVE DATE.—The amendments made by this section shall take effect as if included in section 1101 of the Bipartisan Budget Act of 2015.

# Subtitle B—United States Tax Court

## PART 1—TAXPAYER ACCESS TO UNITED STATES TAX COURT

### SEC. 421. FILING PERIOD FOR INTEREST ABATEMENT CASES.

(a) IN GENERAL.—Subsection (h) of section 6404 is amended—

(1) by striking ''REVIEW OF DENIAL'' in the heading and inserting ''JUDICIAL REVIEW'', and

(2) by striking ''if such action is brought'' and all that follows in paragraph (1) and inserting ''if such action is brought—

''(A) at any time after the earlier of—

''(i) the date of the mailing of the Secretary's final determination not to abate such interest, or

''(ii) the date which is 180 days after the date of the filing with the Secretary (in such form as the Secretary may prescribe) of a claim for abatement under this section, and

"(B) not later than the date which is 180 days after the date described in subparagraph (A)(i).".

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to claims for abatement of interest filed with the Secretary of the Treasury after the date of the enactment of this Act.

**SEC. 422. SMALL TAX CASE ELECTION FOR INTEREST ABATEMENT CASES.**

(a) IN GENERAL.—Subsection (f) of section 7463 is amended—

(1) by striking "and" at the end of paragraph (1),

(2) by striking the period at the end of paragraph (2) and inserting ", and", and

(3) by adding at the end the following new paragraph:

"(3) a petition to the Tax Court under section 6404(h) in which the amount of the abatement sought does not exceed $50,000.".

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to cases pending as of the day after the date of the enactment of this Act, and cases commenced after such date of enactment.

**SEC. 423. VENUE FOR APPEAL OF SPOUSAL RELIEF AND COLLECTION CASES.**

(a) IN GENERAL.—Paragraph (1) of section 7482(b) is amended—

(1) by striking ‘‘or’’ at the end of subparagraph (D),

(2) by striking the period at the end of subparagraph (E), and

(3) by inserting after subparagraph (E) the following new subparagraphs:

‘‘(F) in the case of a petition under section 6015(e), the legal residence of the petitioner, or

‘‘(G) in the case of a petition under section 6320 or 6330—

‘‘(i) the legal residence of the petitioner if the petitioner is an individual, and

‘‘(ii) the principal place of business or principal office or agency if the petitioner is an entity other than an individual.’’.

(b) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply to petitions filed after the date of enactment of this Act.

(2) EFFECT ON EXISTING PROCEEDINGS.—Nothing in this section shall be construed to create any inference with respect to the application of section 7482 of the Internal Revenue Code of 1986 with respect to court proceedings filed on or before the date of the enactment of this Act.

**SEC. 424. SUSPENSION OF RUNNING OF PERIOD FOR FILING PETITION OF SPOUSAL RELIEF AND COLLECTION CASES.**

(a) PETITIONS FOR SPOUSAL RELIEF.—

(1) IN GENERAL.—Subsection (e) of section 6015 is amended by adding at the end the following new paragraph:

"(6) SUSPENSION OF RUNNING OF PERIOD FOR FILING PETITION IN TITLE 11 CASES.—In the case of a person who is prohibited by reason of a case under title 11, United States Code, from filing a petition under paragraph (1)(A) with respect to a final determination of relief under this section, the running of the period prescribed by such paragraph for filing such a petition with respect to such final determination shall be suspended for the period during which the person is so prohibited from filing such a petition, and for 60 days thereafter.".

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to petitions filed under section 6015(e) of the Internal Revenue Code of 1986 after the date of the enactment of this Act.

(b) COLLECTION PROCEEDINGS.—

(1) IN GENERAL.—Subsection (d) of section 6330 is amended—

(A) by striking ‘‘appeal such determination to the Tax Court’’ in paragraph (1) and inserting ‘‘petition the Tax Court for review of such determination’’,

(B) by striking ‘‘JUDICIAL REVIEW OF DETERMINATION’’ in the heading of paragraph (1) and inserting ‘‘PETITION FOR REVIEW BY TAX COURT’’,

(C) by redesignating paragraph (2) as paragraph (3), and

(D) by inserting after paragraph (1) the following new paragraph:

‘‘(2) SUSPENSION OF RUNNING OF PERIOD FOR FILING PETITION IN TITLE 11 CASES.—In the case of a person who is prohibited by reason of a case under title 11, United States Code, from filing a petition under paragraph (1) with respect to a determination under this section, the running of the period prescribed by such subsection for filing such a petition with respect to such determination shall be suspended for the period during which the person is so prohibited from filing such a petition, and for 30 days thereafter, and''.

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to petitions filed under section 6330 of the Internal Revenue Code of 1986 after the date of the enactment of this Act.

(c) CONFORMING AMENDMENT.—Subsection (c) of section 6320 is amended by striking ''(2)(B)'' and inserting ''(3)(B)''.

**SEC. 425. APPLICATION OF FEDERAL RULES OF EVIDENCE.**

(a) IN GENERAL.—Section 7453 is amended by striking ''the rules of evidence applicable in trials without a jury in the United States District Court of the District of Columbia'' and inserting ''the Federal Rules of Evidence''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to proceedings commenced after the date of the enactment of this Act and, to the extent that it is just and practicable, to all proceedings pending on such date.

## PART 2—UNITED STATES TAX COURT ADMINISTRATION

### SEC. 431. JUDICIAL CONDUCT AND DISABILITY PROCEDURES.

(a) IN GENERAL.—Part II of subchapter C of chapter 76 is amended by adding at the end the following new section:

### "SEC. 7466. JUDICIAL CONDUCT AND DISABILITY PROCEDURES.

"(a) IN GENERAL.—The Tax Court shall prescribe rules, consistent with the provisions of chapter 16 of title 28, United States Code, establishing procedures for the filing of complaints with respect to the conduct of any judge or special trial judge of the Tax Court and for the investigation and resolution of such complaints. In investigating and taking action with respect to any such complaint, the Tax Court shall have the powers granted to a judicial council under such chapter.

"(b) JUDICIAL COUNCIL.—The provisions of sections 354(b) through 360 of title 28, United States Code, regarding referral or certification to, and petition for review in the Judicial Conference of the United States, and action thereon, shall apply to the exercise by the Tax Court of the powers of a judicial council under subsection (a). The determination pursuant to section 354(b) or 355 of title 28, United States Code, shall be made based on the grounds for removal of a judge from office under section 7443(f), and certification and transmittal by the Conference of any complaint shall be made to the President for consideration under section 7443(f).

"(c) HEARINGS.—

"(1) IN GENERAL.—In conducting hearings pursuant to subsection (a), the Tax Court may exercise the authority provided under section 1821 of title 28, United States Code, to pay the fees and allowances described in that section.

"(2) REIMBURSEMENT FOR EXPENSES.—The Tax Court shall have the power provided under section 361 of such title 28 to award reimbursement for the reasonable expenses described in that section. Reimbursements under this paragraph shall be made out of any funds appropriated for purposes of the Tax Court.".

(b) CLERICAL AMENDMENT.—The table of sections for part II of subchapter C of chapter 76 is amended by adding at the end the following new item:

"Sec. 7466. Judicial conduct and disability procedures.".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to proceedings commenced after the date which is 180 days after the date of the enactment of this Act and, to the extent just and practicable, all proceedings pending on such date.

**SEC. 432. ADMINISTRATION, JUDICIAL CONFERENCE, AND FEES.**

(a) IN GENERAL.—Part III of subchapter C of chapter 76 is amended by inserting before section 7471 the following new sections:

**"SEC. 7470. ADMINISTRATION.**

"Notwithstanding any other provision of law, the Tax Court may exercise, for purposes of management, administration, and expenditure of funds of the Court, the authorities provided for such purposes by any provision of law (including any limitation with respect to such provision of law) applicable to a court of the United States (as that term is defined in section 451 of title 28, United States Code), except to the extent that such provision of law is inconsistent with a provision of this subchapter.

**"SEC. 7470A. JUDICIAL CONFERENCE.**

"(a) JUDICIAL CONFERENCE.—The chief judge may summon the judges and special trial judges of the Tax Court to an annual judicial conference, at such time and place as the chief judge shall designate, for the purpose of considering the business of the Tax Court and recommending means of improving the administration of justice within the jurisdiction of the Tax Court. The Tax Court shall provide by its rules for representation and active participation at such conferences by persons admitted to practice before the Tax Court and by other persons active in the legal profession.

"(b) REGISTRATION FEE.—The Tax Court may impose a reasonable registration fee on persons (other than judges and special trial judges of the Tax Court) participating at judicial conferences convened pursuant to subsection (a). Amounts so received by the Tax Court shall be available to the Tax Court to defray the expenses of such conferences.".

(b) DISPOSITION OF FEES.—Section 7473 is amended to read as follows:

**"SEC. 7473. DISPOSITION OF FEES.**

"Except as provided in sections 7470A and 7475, all fees received by the Tax Court pursuant to this title shall be deposited into a special fund of the Treasury to be available to offset funds appropriated for the operation and maintenance of the Tax Court.".

(c) CLERICAL AMENDMENTS.—The table of sections for part III of subchapter C of chapter 76 is amended by inserting before the item relating to section 7471 the following new items:

"Sec. 7470. Administration.
"Sec. 7470A. Judicial conference.".

### PART 3—CLARIFICATION RELATING TO UNITED STATES TAX COURT

**SEC. 441. CLARIFICATION RELATING TO UNITED STATES TAX COURT.**

Section 7441 is amended by adding at the end the following: ‘‘The Tax Court is not an agency of, and shall be independent of, the executive branch of the Government.’’.

# TITLE V—TRADE-RELATED PROVISIONS

**SEC. 501. MODIFICATION OF EFFECTIVE DATE OF PROVISIONS RELATING TO TARIFF CLASSIFICATION OF RECREATIONAL PERFORMANCE OUTERWEAR.**

Section 601(c) of the Trade Preferences Extension Act of 2015 (Public Law 114–27; 129 Stat. 412) is amended—

(1) in paragraph (1), by striking ‘‘the 180th day after the date of the enactment of this Act’’ and inserting ‘‘March 31, 2016’’; and

(2) in paragraph (2), by striking ‘‘such 180th day’’ and inserting ‘‘March 31, 2016’’.

**SEC. 502. AGREEMENT BY ASIA-PACIFIC ECONOMIC CO-OPERATION MEMBERS TO REDUCE RATES OF DUTY ON CERTAIN ENVIRONMENTAL GOODS.**

Section 107 of the Bipartisan Congressional Trade Priorities and Accountability Act of 2015 (Public Law 114–26; 19 U.S.C. 4206) is amended by adding at the end the following:

''(c) AGREEMENT BY ASIA-PACIFIC ECONOMIC CO-OPERATION MEMBERS TO REDUCE RATES OF DUTY ON CERTAIN ENVIRONMENTAL GOODS.—Notwithstanding the notification requirement described in section 103(a)(2), the President may exercise the proclamation authority provided for in section 103(a)(1)(B) to implement an agreement by members of the Asia-Pacific Economic Cooperation (APEC) to reduce any rate of duty on certain environmental goods included in Annex C of the APEC Leaders Declaration issued on September 9, 2012, if (and only if) the President, as soon as feasible after the date of the enactment of this subsection, and before exercising proclamation authority under section 103(a)(1)(B), notifies Congress of the negotiations relating to the agreement and the specific United States objectives in the negotiations.''.

# TITLE VI—BUDGETARY EFFECTS

**SEC. 601. BUDGETARY EFFECTS.**

(a) PAYGO SCORECARD.—The budgetary effects of this Act shall not be entered on either PAYGO scorecard maintained pursuant to section 4(d) of the Statutory Pay-As-You-Go Act of 2010.

(b) SENATE PAYGO SCORECARD.—The budgetary effects of this Act shall not be entered on any PAYGO scorecard maintained for purposes of section 201 of S. Con. Res. 21 (110th Congress).

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