

115TH CONGRESS
1ST SESSION

S. 1907

To amend the Internal Revenue Code of 1986 to provide tax relief for disaster areas, and for other purposes.

IN THE SENATE OF THE UNITED STATES

OCTOBER 3, 2017

Mr. NELSON introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to provide tax relief for disaster areas, and for other purposes.

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

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

4 (a) SHORT TITLE.—This Act may be cited as the
5 “National Disaster Tax Relief Act of 2017”.

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

Sec. 1. Short title; table of contents.

TITLE I—TAX RELIEF RELATING TO DISASTERS

Sec. 101. Expensing of qualified disaster expenses.

Sec. 102. Net operating losses attributable to disasters.

- Sec. 103. Increase in new markets tax credit for investments in community development entities serving disaster areas.
- Sec. 104. Exclusions of certain cancellations of indebtedness by reason of disasters.
- Sec. 105. Advanced refundings of certain tax-exempt bonds.
- Sec. 106. Additional low-income housing credit allocations.

TITLE II—PERMANENT DISASTER TAX RELIEF PROVISIONS

- Sec. 201. Exclusion for disaster mitigation payments received from State and local governments.
- Sec. 202. Catastrophe Savings Accounts.

TITLE III—OTHER PERMANENT TAX PROVISIONS

- Sec. 301. Repeal of limitation on cover over of distilled spirits taxes to Virgin Islands and Puerto Rico.
- Sec. 302. Deduction for income attributable to domestic production activities in Puerto Rico made permanent.
- Sec. 303. Refundable child tax credit parity for residents of Puerto Rico, American Samoa, Guam, the Northern Mariana Islands, and the Virgin Islands.

TITLE IV—TREATMENT OF CERTAIN POSSESSIONS

- Sec. 401. Treatment of possessions.

1 **TITLE I—TAX RELIEF RELATING** 2 **TO DISASTERS**

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

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

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

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

1 “(b) QUALIFIED DISASTER EXPENSE.—For purposes
2 of this section—

3 “(1) IN GENERAL.—The term ‘qualified dis-
4 aster expense’ means any expenditure—

5 “(A) which is paid or incurred in connec-
6 tion with a trade or business or with business-
7 related property,

8 “(B) which is—

9 “(i) for the abatement or control of
10 hazardous substances that were released
11 due to a federally declared disaster occur-
12 ring during the period beginning on Janu-
13 ary 1, 2012, and ending on December 31,
14 2022,

15 “(ii) for the removal of debris from,
16 or the demolition of structures on, real
17 property which is business-related property
18 and which is damaged or destroyed as a
19 result of a federally declared disaster oc-
20 ccurring during such period, or

21 “(iii) for the repair of business-related
22 property damaged as a result of a federally
23 declared disaster occurring during any
24 such period, and

1 “(C) which is otherwise chargeable to cap-
2 ital account.

3 “(2) SPECIAL RULE FOR REPLANTING OF CIT-
4 RUS PLANTS LOST BY REASON OF CASUALTY.—
5 Amounts paid or incurred by a taxpayer in any tax-
6 able year beginning after December 31, 2016, for
7 the replanting as described in section 263A(d)(2)(A)
8 of citrus plants which were lost or damaged, due to
9 disease or to a federally declared disaster, while such
10 plants were in the hands of a person other than the
11 taxpayer shall be treated as a qualified disaster ex-
12 pense of the taxpayer if—

13 “(A) such other person has an equity in-
14 terest of not less than 50 percent in the re-
15 planted citrus plants at all times during the
16 taxable year in which such amounts are paid or
17 incurred, and the taxpayer holds any part of
18 the remaining equity interest, or

19 “(B) the taxpayer acquired the entirety of
20 such other person’s equity interest in the land
21 on which the lost or damaged citrus plants were
22 located at the time of such loss or damage, and
23 the replanting is on such land.

24 “(c) OTHER DEFINITIONS.—For purposes of this
25 section—

1 “(1) BUSINESS-RELATED PROPERTY.—The
 2 term ‘business-related property’ means property
 3 which is—

4 “(A) held by the taxpayer for use in a
 5 trade or business or for the production of in-
 6 come, or

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

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

12 “(d) DEDUCTION RECAPTURED AS ORDINARY IN-
 13 COME ON SALE, ETC.—Solely for purposes of section
 14 1245, in the case of property with respect to which a quali-
 15 fied disaster expense would have been capitalized but for
 16 this section—

17 “(1) the deduction allowed by this section for
 18 such expense shall be treated as a deduction for de-
 19 preciation, and

20 “(2) such property (if not otherwise section
 21 1245 property) shall be treated as section 1245
 22 property solely for purposes of applying section 1245
 23 to such deduction.

24 “(e) COORDINATION WITH OTHER PROVISIONS.—
 25 Sections 198, 280B, and 468 shall not apply to amounts

1 which are treated as expenses not chargeable to capital
2 account under this section.

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

6 “(g) TERMINATION.—This section shall not apply to
7 amounts paid or incurred after December 31, 2023.”.

8 (b) CLERICAL AMENDMENT.—The table of sections
9 for part VI of subchapter B of chapter 1 of the Internal
10 Revenue Code of 1986 is amended by inserting after the
11 item relating to section 198 the following item:

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

12 (c) EFFECTIVE DATE.—The amendments made by
13 this section shall apply to amounts paid or incurred after
14 the date of the enactment of this Act.

15 **SEC. 102. NET OPERATING LOSSES ATTRIBUTABLE TO DIS-**
16 **ASTERS.**

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

20 “(G) CERTAIN LOSSES ATTRIBUTABLE TO
21 FEDERALLY DECLARED DISASTERS.—In the
22 case of a taxpayer who has a qualified disaster
23 loss (as defined in subsection (i)), such loss
24 shall be a net operating loss carryback to each

1 of the 5 taxable years preceding the taxable
2 year of such loss.”.

3 (b) RULES RELATING TO QUALIFIED DISASTER
4 LOSSES.—Section 172 of the Internal Revenue Code of
5 1986 is amended by redesignating subsection (i) as sub-
6 section (j) and by inserting after subsection (h) the fol-
7 lowing:

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

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

12 “(A) the sum of—

13 “(i) the losses allowable under section
14 165 for the taxable year—

15 “(I) attributable to a federally
16 declared disaster (as defined in sec-
17 tion 165(i)(5)(A)) occurring after De-
18 cember 31, 2011, and before January
19 1, 2023, and

20 “(II) occurring in a disaster area
21 (as defined in section 165(i)(5)(B)),
22 and

23 “(ii) the deduction for the taxable
24 year for qualified disaster expenses which
25 is allowable under section 198A(a), or

1 which would be so allowable if not other-
 2 wise treated as an expense, or

3 “(B) the net operating loss for the taxable
 4 year in which the taxpayer had the losses de-
 5 scribed in subparagraph (A).

6 “(2) EXCLUSION.—The term ‘qualified disaster
 7 loss’ shall not include any loss with respect to any
 8 property described in section 1400N(p)(3).

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

14 “(4) ELECTION.—Any taxpayer entitled to a 5-
 15 year carryback under subsection (b)(1)(G) from any
 16 loss year may elect to have the carryback period
 17 with respect to such loss year determined without re-
 18 gard to subsection (b)(1)(G). Such election shall be
 19 made in such manner as may be prescribed by the
 20 Secretary and shall be made by the due date (includ-
 21 ing extensions of time) for filing the taxpayer’s re-
 22 turn for the taxable year of the net operating loss.
 23 Such election, once made for any taxable year, shall
 24 be irrevocable for such taxable year.”.

1 (c) EFFECTIVE DATE.—The amendments made by
 2 this section shall apply to losses arising in taxable years
 3 beginning after December 31, 2011.

4 **SEC. 103. INCREASE IN NEW MARKETS TAX CREDIT FOR IN-**
 5 **VESTMENTS IN COMMUNITY DEVELOPMENT**
 6 **ENTITIES SERVING DISASTER AREAS.**

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

10 “(4) INCREASED SPECIAL ALLOCATION FOR
 11 COMMUNITY DEVELOPMENT ENTITIES SERVING DIS-
 12 ASTER AREAS.—

13 “(A) IN GENERAL.—In the case of each
 14 calendar year beginning after the date of the
 15 enactment of the National Disaster Tax Relief
 16 Act of 2017 and before January 1, 2023, for
 17 which there is a limitation under paragraph (1),
 18 such limitation shall be increased by
 19 \$500,000,000, to be allocated among qualified
 20 community development entities to make quali-
 21 fied low-income community investments within
 22 any covered federally declared disaster area.

23 “(B) ALLOCATION OF INCREASE.—The
 24 amount of the increase in limitation under sub-
 25 paragraph (A) shall be allocated by the Sec-

retary under paragraph (2) to qualified community development entities and shall give priority to such entities with a record of having successfully provided capital or technical assistance to businesses or communities within any covered federally declared disaster area or areas for which the allocation is requested.

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

“(D) COVERED FEDERALLY DECLARED DISASTER AREA.—For purposes of this paragraph, the term ‘covered federally declared disaster area’ means any disaster area with respect to which a federally declared disaster is declared which occurs after December 31, 2011, and before January 1, 2023. For purposes of the preceding sentence, the terms ‘federally declared disaster’ and ‘disaster area’ have the meanings given such terms in section 165(i)(5).”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to calendar years beginning after December 31, 2016.

1 **SEC. 104. EXCLUSIONS OF CERTAIN CANCELLATIONS OF IN-**
2 **DEBTEDNESS BY REASON OF DISASTERS.**

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

6 “(j) DISCHARGE OF INDEBTEDNESS FOR INDIVID-
7 UALS AFFECTED BY DISASTERS.—

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

16 “(2) EXCEPTIONS FOR BUSINESS INDEBTED-
17 NESS.—Paragraph (1) shall not apply to any indebt-
18 edness incurred in connection with a trade or busi-
19 ness.

20 “(3) PERSONS DESCRIBED.—A natural person
21 is described in this paragraph if, with respect to any
22 federally declared disaster occurring after December
23 31, 2011, and before January 1, 2023, the principal
24 place of abode of such person on the applicable dis-
25 aster date was located in the disaster area.

1 “(4) APPLICABLE PERIOD.—For purposes of
 2 this subsection, the term ‘applicable period’ means
 3 the period beginning on the applicable disaster date
 4 and ending on the date which is 24 months after
 5 such date.

6 “(5) OTHER DEFINITIONS.—For purposes of
 7 this subsection—

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

12 “(B) APPLICABLE DISASTER DATE.—The
 13 term ‘applicable disaster date’ means, with re-
 14 spect to any federally declared disaster, the
 15 date on which such federally declared disaster
 16 occurs.”.

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

20 **SEC. 105. ADVANCED REFUNDINGS OF CERTAIN TAX-EX-**
 21 **EMPT BONDS.**

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

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

3 “(A) IN GENERAL.—With respect to a
4 bond described in subparagraph (C), 1 addi-
5 tional advance refunding after the date of the
6 enactment of the National Disaster Tax Relief
7 Act of 2017 and before January 1, 2023, shall
8 be allowed under the rules of this subsection
9 if—

10 “(i) the Governor of the State des-
11 ignates the advance refunding bond for
12 purposes of this subsection, and

13 “(ii) the requirements of subpara-
14 graph (E) are met.

15 “(B) CERTAIN PRIVATE ACTIVITY
16 BONDS.—Subparagraph (A) shall apply with re-
17 spect to a bond described in subparagraph (C)
18 which is an exempt facility bond described in
19 paragraph (1) or (2) of section 142(a) notwith-
20 standing paragraph (2) of this subsection.

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

24 “(i) was outstanding on the applicable
25 disaster date, and

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

3 “(D) AGGREGATE LIMIT.—The maximum
4 aggregate face amount of bonds outstanding on
5 any applicable disaster date which may be des-
6 ignated under this subsection by the Governor
7 of a State shall not exceed \$2,000,000,000.

8 “(E) ADDITIONAL REQUIREMENTS.—The
9 requirements of this subparagraph are met with
10 respect to any advance refunding of a bond de-
11 scribed in subparagraph (C) if—

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

15 “(ii) the advance refunding bond is
16 the only other outstanding bond with re-
17 spect to the refunded bond, and

18 “(iii) the requirements of section 148
19 are met with respect to all bonds issued
20 under this paragraph.

21 “(F) DEFINITIONS.—For purposes of this
22 subsection—

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

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

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

8 “(iii) APPLICABLE STATE.—The term
 9 ‘applicable State’ means, with respect to
 10 any federally declared disaster, any State
 11 in which a portion of the disaster area is
 12 located.”.

13 (b) EFFECTIVE DATE.—The amendment made by
 14 this section shall apply to bonds issued after the date of
 15 the enactment of this Act.

16 **SEC. 106. ADDITIONAL LOW-INCOME HOUSING CREDIT AL-**
 17 **LOCATIONS.**

18 (a) IN GENERAL.—Paragraph (3) of section 42(h) of
 19 the Internal Revenue Code of 1986 is amended by adding
 20 at the end the following new subparagraph:

21 “(J) INCREASE IN STATE HOUSING CREDIT
 22 FOR STATES DAMAGED BY NATURAL DISAS-
 23 TERS.—

24 “(i) IN GENERAL.—In the case of any
 25 calendar year beginning after the date of

the enactment of the National Disaster Tax Relief Act of 2017 and before January 1, 2023, the State housing credit ceiling of each State any portion of which includes any portion of a qualifying disaster area shall be increased by so much of the aggregate housing credit dollar amount as does not exceed the applicable limitation allocated by the State housing credit agency of such State for such calendar year to buildings located in qualifying disaster areas.

“(ii) APPLICABLE LIMITATION.—For purposes of clause (i), the applicable limitation is the greater of—

“(I) \$8 multiplied by the population of the qualifying disaster areas in such State, or

“(II) 50 percent of the State housing credit ceiling (determined without regard to this subparagraph) for 2017.

“(iii) APPLICABLE PERCENTAGE.—For purposes of this section, the applicable percentage with respect to any building to which amounts are allocated under clause

(i) shall be determined under subsection (b)(2).

“(iv) ALLOCATIONS TREATED AS MADE FIRST FROM ADDITIONAL ALLOCATION AMOUNT FOR PURPOSES OF DETERMINING CARRYOVER.—For purposes of determining the unused State housing credit ceiling under subparagraph (C) for any calendar year, any increase in the State housing credit ceiling under clause (i) shall be treated as an amount described in clause (ii) of such subparagraph.

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

“(I) each county which is determined to warrant individual or individual and public assistance from the Federal Government under a qualifying natural disaster declaration described in clause (vi)(I), and

“(II) each county not described in subclause (I) which is included in the geographical area covered by a

1 qualifying natural disaster declaration
 2 described in subclause (II) or (III) of
 3 clause (vi).

4 “(vi) QUALIFYING NATURAL DISASTER
 5 DECLARATION.—For purposes of clause
 6 (v), the term ‘qualifying natural disaster
 7 declaration’ means—

8 “(I) a federally declared disaster
 9 (as defined in section 165(i)(5)) oc-
 10 ccurring after December 31, 2011, and
 11 before January 1, 2023, or

12 “(II) a natural disaster declared
 13 by the Secretary of Agriculture.”.

14 (b) ELIGIBILITY FOR DIFFICULT DEVELOPMENT
 15 AREA.—For purposes of section 42 of the Internal Rev-
 16 enue Code of 1986, any area located in a disaster area
 17 (as defined in section 165(i)(5)(B) of the Internal Rev-
 18 enue Code of 1986) shall be designated a difficult develop-
 19 ment area for purposes of section 42(d)(5)(B)(iii) of such
 20 Code for any 24-month period following the date of a fed-
 21 erally declared disaster, if the area qualifies to be such
 22 a difficult development area at any time within such 24-
 23 month period.

1 (c) EFFECTIVE DATE.—The amendment made by
 2 this section shall take effect on the date of the enactment
 3 of this Act.

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

7 **SEC. 201. EXCLUSION FOR DISASTER MITIGATION PAY-**
 8 **MENTS RECEIVED FROM STATE AND LOCAL**
 9 **GOVERNMENTS.**

10 (a) IN GENERAL.—Paragraph (2) of section 139(g)
 11 of the Internal Revenue Code of 1986 is amended by in-
 12 serting “, or any other amount which is paid by a State
 13 or local government or an agency or instrumentality there-
 14 of,” after “(as in effect on such date)”.

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

18 **SEC. 202. CATASTROPHE SAVINGS ACCOUNTS.**

19 (a) IN GENERAL.—Subchapter F of chapter 1 of the
 20 Internal Revenue Code of 1986 is amended by adding at
 21 the end the following new part:

22 **“PART IX—CATASTROPHE SAVINGS ACCOUNTS**

23 **“SEC. 530A. CATASTROPHE SAVINGS ACCOUNTS.**

24 **“(a) GENERAL RULE.—A Catastrophe Savings Ac-**
 25 **count shall be exempt from taxation under this subtitle.**

1 Notwithstanding the preceding sentence, such account
2 shall be subject to the taxes imposed by section 511 (relat-
3 ing to imposition of tax on unrelated business income of
4 charitable organizations).

5 “(b) CATASTROPHE SAVINGS ACCOUNT.—For pur-
6 poses of this section, the term ‘Catastrophe Savings Ac-
7 count’ means a trust created or organized in the United
8 States for the exclusive benefit of an individual or the indi-
9 vidual’s beneficiaries and which is designated (in such
10 manner as the Secretary shall prescribe) at the time of
11 the establishment of the trust as a Catastrophe Savings
12 Account, but only if the written governing instrument cre-
13 ating the trust meets the following requirements:

14 “(1) Except in the case of a qualified rollover
15 contribution—

16 “(A) no contribution will be accepted un-
17 less it is in cash, and

18 “(B) contributions will not be accepted in
19 excess of the account balance limit specified in
20 subsection (c).

21 “(2) The trustee is a bank (as defined in sec-
22 tion 408(n)) or another person who demonstrates to
23 the satisfaction of the Secretary that the manner in
24 which that person will administer the trust will be
25 consistent with the requirements of this section.

1 “(3) The interest of an individual in the bal-
2 ance of the individual’s account is nonforfeitable.

3 “(4) The assets of the trust shall not be com-
4 mingled with other property except in a common
5 trust fund or common investment fund.

6 “(c) ACCOUNT BALANCE LIMIT.—

7 “(1) IN GENERAL.—The aggregate account bal-
8 ance for all Catastrophe Savings Accounts main-
9 tained for the benefit of an individual (including
10 qualified rollover contributions) shall not exceed—

11 “(A) in the case of an individual whose
12 qualified deductible is not more than \$1,000,
13 \$75,000, and

14 “(B) in the case of an individual whose
15 qualified deductible is more than \$1,000,
16 \$150,000.

17 “(2) QUALIFIED DEDUCTIBLE.—For purposes
18 of this subsection, with respect to an individual, the
19 term ‘qualified deductible’ means the annual deduct-
20 ible for the individual’s homeowners’ insurance pol-
21 icy.

22 “(d) QUALIFIED ROLLOVER CONTRIBUTION.—For
23 purposes of this section, the term ‘qualified rollover con-
24 tribution’ means a contribution to a Catastrophe Savings
25 Account—

1 “(1) from another such account of the same
2 beneficiary, but only if such amount is contributed
3 not later than the 60th day after the distribution
4 from such other account, and

5 “(2) from a Catastrophe Savings Account of a
6 spouse of the beneficiary of the account to which the
7 contribution is made, but only if such amount is
8 contributed not later than the 60th day after the
9 distribution from such other account.

10 “(e) TAX TREATMENT OF DISTRIBUTIONS.—

11 “(1) IN GENERAL.—Any distribution from a
12 Catastrophe Savings Account shall be includible in
13 the gross income of the distributee in the manner
14 provided in section 72.

15 “(2) DISTRIBUTIONS FOR QUALIFIED CATAS-
16 TROPHE EXPENSES.—

17 “(A) IN GENERAL.—No amount shall be
18 includible in gross income under paragraph (1)
19 if the aggregate distributions during the taxable
20 year do not exceed the qualified catastrophe ex-
21 penses of the distributee during such taxable
22 year.

23 “(B) DISTRIBUTIONS IN EXCESS OF EX-
24 PENSES.—If such aggregate distributions ex-
25 ceed such expenses during the taxable year, the

amount otherwise includible in gross income under paragraph (1) shall be reduced by the amount which bears the same ratio to the amount which would be includible in gross income under paragraph (1) (without regard to this subparagraph) as the qualified catastrophe expenses bear to such aggregate distributions.

“(3) ADDITIONAL TAX FOR DISTRIBUTIONS NOT USED FOR QUALIFIED CATASTROPHE EXPENSES.—

The tax imposed by this chapter for any taxable year on any taxpayer who receives a payment or distribution from a Catastrophe Savings Account which is includible in gross income shall be increased by 10 percent of the amount which is so includible.

“(4) QUALIFIED CATASTROPHE EXPENSES.—

For purposes of this subsection, the term ‘qualified catastrophe expenses’ means expenses paid or incurred by reason of a major disaster that has been declared by the President under section 401 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act.

“(5) EXCEPTION FOR RETIREMENT DISTRIBUTIONS.—No amount shall be includible in gross income under paragraph (1) (or subject to an additional tax under paragraph (3)) if the payment or

1 distribution is made on or after the date on which
 2 the distributee attains age 62.

3 “(f) TAX TREATMENT OF ACCOUNTS.—Rules similar
 4 to the rules of paragraphs (2) and (4) of section 408(e)
 5 shall apply to any Catastrophe Savings Account.”.

6 (b) TAX ON EXCESS CONTRIBUTIONS.—

7 (1) IN GENERAL.—Subsection (a) of section
 8 4973 of the Internal Revenue Code of 1986 is
 9 amended by striking “or” at the end of paragraph
 10 (5), by inserting “or” at the end of paragraph (6),
 11 and by inserting after paragraph (6) the following
 12 new paragraph:

13 “(7) a Catastrophe Savings Account (as defined
 14 in section 530A(b)).”.

15 (2) EXCESS CONTRIBUTION.—Section 4973 of
 16 such Code is amended by adding at the end the fol-
 17 lowing new subsection:

18 “(i) EXCESS CONTRIBUTIONS TO CATASTROPHE SAV-
 19 INGS ACCOUNTS.—For purposes of this section, in the
 20 case of a Catastrophe Savings Account (as defined in sec-
 21 tion 530A(b)), the term ‘excess contributions’ means the
 22 amount by which the aggregate account balance for all Ca-
 23 tastrophe Savings Accounts maintained for the benefit of
 24 an individual exceeds the account balance limit under sec-
 25 tion 530A(c)(1).”.

1 (c) CONFORMING AMENDMENT.—The table of parts
 2 for subchapter F of chapter 1 of the Internal Revenue
 3 Code of 1986 is amended by adding at the end the fol-
 4 lowing new item:

“PART IX—CATASTROPHE SAVINGS ACCOUNTS”.

5 (d) CONTRIBUTIONS FROM INSURANCE COMPA-
 6 NIES.—Subsection (c) of section 832 of the Internal Rev-
 7 enue Code of 1986 is amended by striking “and” at the
 8 end of paragraph (12), by striking the period at the end
 9 of paragraph (13) and inserting “; and”, and by adding
 10 at the end the following new paragraph:

11 “(14) contributions to a Catastrophe Savings
 12 Account (as defined in section 530A(b)) during the
 13 taxable year to the extent such contributions are not
 14 excess contributions (as defined in section
 15 4973(i)).”.

16 (e) CUSTODIAL ACCOUNTS TREATED AS TRUST.—
 17 For purposes of this section, a custodial account shall be
 18 treated as a trust if—

19 (1) the assets of such account are held by a
 20 bank (as defined in section 408(n) of the Internal
 21 Revenue Code of 1986) or another person who dem-
 22 onstrates, to the satisfaction of the Secretary of the
 23 Treasury, that the manner in which such person will
 24 administer the account will be consistent with the re-
 25 quirements of this section, and

1 (2) the custodial account would, except for the
 2 fact that it is not a trust, constitute a Catastrophe
 3 Savings Account (as defined in section 530A(b) of
 4 the Internal Revenue Code of 1986).

5 In the case of a custodial account treated as a trust by
 6 reason of the preceding sentence, the custodian of such
 7 account shall be treated as the trustee thereof for purposes
 8 of the Internal Revenue Code of 1986.

9 (f) EFFECTIVE DATE.—The amendments made by
 10 this section shall apply to taxable years beginning after
 11 December 31, 2017.

12 **TITLE III—OTHER PERMANENT** 13 **TAX PROVISIONS**

14 **SEC. 301. REPEAL OF LIMITATION ON COVER OVER OF DIS-** 15 **TILLED SPIRITS TAXES TO VIRGIN ISLANDS** 16 **AND PUERTO RICO.**

17 (a) IN GENERAL.—Section 7652 of the Internal Rev-
 18 enue Code of 1986 is amended by striking subsection (f)
 19 and by redesignating subsections (g) and (h) as sub-
 20 sections (f) and (g), respectively.

21 (b) EFFECTIVE DATE.—The amendments made by
 22 this section shall apply to distilled spirits brought into the
 23 United States after December 31, 2016.

1 **SEC. 302. DEDUCTION FOR INCOME ATTRIBUTABLE TO DO-**
 2 **MESTIC PRODUCTION ACTIVITIES IN PUERTO**
 3 **RICO MADE PERMANENT.**

4 (a) IN GENERAL.—Section 199(d)(8) of the Internal
 5 Revenue Code of 1986 is amended by striking subpara-
 6 graph (C).

7 (b) EFFECTIVE DATE.—The amendment made by
 8 this section shall apply to taxable years beginning after
 9 December 31, 2016.

10 **SEC. 303. REFUNDABLE CHILD TAX CREDIT PARITY FOR**
 11 **RESIDENTS OF PUERTO RICO, AMERICAN**
 12 **SAMOA, GUAM, THE NORTHERN MARIANA IS-**
 13 **LANDS, AND THE VIRGIN ISLANDS.**

14 (a) TREATMENT OF NON-MIRROR CODE POSSES-
 15 SIONS.—Section 24(d) of the Internal Revenue Code of
 16 1986 is amended by inserting after paragraph (2) the fol-
 17 lowing new paragraph:

18 “(3) SPECIAL RULE FOR PUERTO RICO AND
 19 AMERICAN SAMOA.—In the case of an individual who
 20 is a bona fide resident of Puerto Rico or American
 21 Samoa during the entire taxable year—

22 “(A) paragraph (1)(B)(i) shall not apply,
 23 and

24 “(B) paragraph (1)(B)(ii) shall be applied
 25 without regard to the number of qualifying chil-
 26 dren of the taxpayer.”.

1 (b) TREATMENT OF MIRROR CODE POSSESSIONS.—

2 (1) IN GENERAL.—The Secretary of the Treas-
3 ury shall pay to each mirror code possession of the
4 United States amounts equal to the loss to that pos-
5 session by reason of the application of section 24(d)
6 of the Internal Revenue Code of 1986 (determined
7 as if paragraph (3) thereof, as added by this section,
8 applied to bona fide residents of that possession)
9 with respect to taxable years beginning after Decem-
10 ber 31, 2017. Such amounts shall be determined by
11 the Secretary of the Treasury based on information
12 provided by the government of the respective posses-
13 sion.

14 (2) POSSESSION OF THE UNITED STATES.—For
15 purposes of this subsection, the term “mirror code
16 possession of the United States” means Guam, the
17 Northern Mariana Islands, and the Virgin Islands.

18 (3) TREATMENT OF PAYMENTS.—For purposes
19 of section 1324(b)(2) of title 31, United States
20 Code, the payments under this subsection shall be
21 treated in the same manner as a refund due from
22 the credit allowed under section 24 of the Internal
23 Revenue Code of 1986 by reason of subsection (d)
24 of such section.

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

4 **TITLE IV—TREATMENT OF** 5 **CERTAIN POSSESSIONS**

6 **SEC. 401. TREATMENT OF POSSESSIONS.**

7 (a) PAYMENTS TO POSSESSIONS.—

8 (1) MIRROR CODE POSSESSIONS.—The Sec-
 9 retary of the Treasury shall pay to each possession
 10 of the United States with a mirror code tax system
 11 amounts equal to the loss to that possession by rea-
 12 son of the application of sections 101, 104, and 201.
 13 Such amounts shall be determined by the Secretary
 14 of the Treasury based on information provided by
 15 the government of the respective possession.

16 (2) OTHER POSSESSIONS.—The Secretary of
 17 the Treasury shall pay to each possession of the
 18 United States which does not have a mirror code tax
 19 system amounts estimated by the Secretary of the
 20 Treasury as being equal to the aggregate benefits
 21 that would have been provided to residents of such
 22 possession by reason of the application of sections
 23 101, 104, and 201 if a mirror code tax system had
 24 been in effect in such possession. The preceding sen-
 25 tence shall not apply with respect to any possession

1 of the United States unless such possession has a
 2 plan, which has been approved by the Secretary of
 3 the Treasury, under which such possession will
 4 promptly distribute such payments to the residents
 5 of such possession.

6 (b) COORDINATION WITH CREDIT ALLOWED
 7 AGAINST UNITED STATES INCOME TAXES.—No increase
 8 in any credit, deduction, or exclusion determined under
 9 section 198A, 108(j), or 139(g) of the Internal Revenue
 10 Code of 1986 against United States income taxes for any
 11 taxable year shall be taken into account with respect to
 12 any person—

13 (1) to whom the corresponding credit, deduc-
 14 tion, or exclusion is allowed against taxes imposed
 15 by the possession by reason of section 101, 104, or
 16 201, whichever is applicable, for such taxable year,
 17 or

18 (2) who is eligible for a payment under a plan
 19 described in subsection (a)(2) with respect to such
 20 credit, deduction, or exclusion for the taxable year.

21 (c) DEFINITIONS AND SPECIAL RULES.—

22 (1) POSSESSION OF THE UNITED STATES.—For
 23 purposes of this subsection, the term “possession of
 24 the United States” includes the Commonwealth of

1 Puerto Rico and the Commonwealth of the Northern
2 Mariana Islands.

3 (2) MIRROR CODE TAX SYSTEM.—For purposes
4 of this subsection, the term “mirror code tax sys-
5 tem” means, with respect to any possession of the
6 United States, the income tax system of such posses-
7 sion if the income tax liability of the residents of
8 such possession under such system is determined by
9 reference to the income tax laws of the United
10 States as if such possession were the United States.

11 (3) TREATMENT OF PAYMENTS.—For purposes
12 of section 1324(b)(2) of title 31, United States
13 Code, rules similar to the rules of section
14 1001(b)(3)(C) of the American Recovery and Rein-
15 vestment Tax Act of 2009 shall apply.

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