

Calendar No. 212

109TH CONGRESS
1ST SESSION

S. 1696

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

IN THE SENATE OF THE UNITED STATES

SEPTEMBER 13, 2005

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

SEPTEMBER 15, 2005

Committee discharged; amended and ordered to be placed on the calendar

A BILL

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

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

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

4 **TABLE OF CONTENTS.**

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

1 (b) AMENDMENT OF 1986 CODE.—Except as other-
 2 wise expressly provided, whenever in this Act an amend-
 3 ment or repeal is expressed in terms of an amendment
 4 to, or repeal of, a section or other provision, the reference
 5 shall be considered to be made to a section or other provi-
 6 sion of the Internal Revenue Code of 1986.

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

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

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

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

TITLE II—EMPLOYMENT RELIEF

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

TITLE III—CHARITABLE GIVING INCENTIVES

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

TITLE IV—ADDITIONAL TAX RELIEF PROVISIONS

Sec. 401. Exclusions of certain cancellations of indebtedness for victims of Hur-
 ricane Katrina.
 Sec. 402. Modification to casualty loss rules for victims of Hurricane Katrina.

- Sec. 403. Required exercise of authority under section 7508A for tax relief for victims of Hurricane Katrina.
- Sec. 404. Special mortgage financing rules for residences located in Hurricane Katrina disaster area.
- Sec. 405. Extension of replacement period for nonrecognition of gain for property located in Hurricane Katrina disaster area.
- Sec. 406. Special rule for determining earned income.
- Sec. 407. Secretarial authority to make adjustments regarding taxpayer and dependency status.

TITLE V—ADDITIONAL PROVISIONS

- Sec. 501. Disclosure to State officials of proposed actions related to exempt organizations.
- Sec. 502. Dedication and use of certain fees.

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

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

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

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

1 **TITLE I—PENALTY FREE USE OF**
 2 **RETIREMENT FUNDS BY NAT-**
 3 **URAL DISASTER VICTIMS**

4 **SEC. 101. PENALTY FREE WITHDRAWALS FROM RETIRE-**
 5 **MENT PLANS FOR VICTIMS OF FEDERALLY**
 6 **DECLARED NATURAL DISASTERS.**

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

11 “(G) DISTRIBUTIONS FROM RETIREMENT
 12 PLANS TO VICTIMS OF FEDERALLY DECLARED
 13 NATURAL DISASTERS.—

14 “(i) DISTRIBUTION ALLOWED.—Any
 15 qualified disaster-relief distribution.

16 “(ii) AMOUNT DISTRIBUTED MAY BE
 17 REPAID.—

18 “(I) IN GENERAL.—Any indi-
 19 vidual who receives a qualified dis-
 20 aster-relief distribution may, at any
 21 time during the 3-year period begin-
 22 ning on the day after the date on
 23 which such distribution was made,
 24 make one or more contributions in an
 25 aggregate amount not to exceed the

1 amount of such distribution to an eli-
2 gible retirement plan (as defined in
3 section 402(c)(8)(B)) of which such
4 individual is a beneficiary and to
5 which a rollover contribution of such
6 distribution could be made under sec-
7 tion 402(c), 403(a)(4), 403(b)(8),
8 408(d)(3), or 457(e)(16), as the case
9 may be.

10 “(II) TREATMENT OF REPAY-
11 MENTS FOR DISTRIBUTIONS FROM EL-
12 IGIBLE RETIREMENT PLANS OTHER
13 THAN IRAS.—For purposes of this
14 title, if a contribution is made pursu-
15 ant to subclause (I) with respect to a
16 qualified disaster-relief distribution
17 from an eligible retirement plan (as so
18 defined) other than an individual re-
19 tirement plan, then the taxpayer shall,
20 to the extent of the amount of the
21 contribution, be treated as having re-
22 ceived the qualified disaster-relief dis-
23 tribution in an eligible rollover dis-
24 tribution (as defined in section
25 402(c)(4)) and as having transferred

1 the amount to the eligible retirement
2 plan in a direct trustee to trustee
3 transfer within 60 days of the dis-
4 tribution.

5 “(III) TREATMENT OF REPAY-
6 MENTS FOR DISTRIBUTIONS FROM
7 IRAS.—For purposes of this title, if a
8 contribution is made pursuant to sub-
9 clause (I) with respect to a qualified
10 disaster-relief distribution from an in-
11 dividual retirement plan, then, to the
12 extent of the amount of the contribu-
13 tion, the qualified disaster-relief dis-
14 tribution shall be treated as a dis-
15 tribution described in section
16 408(d)(3) and as having been trans-
17 ferred to the eligible retirement plan
18 in a direct trustee to trustee transfer
19 within 60 days of the distribution.

20 “(IV) APPLICATION TO GOVERN-
21 MENTAL SECTION 457 PLANS.—In de-
22 termining whether any distribution is
23 a qualified disaster-relief distribution
24 for purposes of this clause, an eligible
25 deferred compensation plan (as de-

1 fined in section 457(b)) maintained by
2 an employer described in section
3 457(e)(1)(A) shall be treated as a
4 qualified retirement plan.

5 “(iii) QUALIFIED DISASTER-RELIEF
6 DISTRIBUTION.—Except as provided in
7 clause (iv), for purposes of this subpara-
8 graph, the term ‘qualified disaster-relief
9 distribution’ means any distribution—

10 “(I) to an individual who has
11 sustained a loss as a result of a major
12 disaster declared under section 401 of
13 the Robert T. Stafford Disaster Relief
14 and Emergency Assistance Act and
15 who has a principal place of abode im-
16 mediately before the declaration in a
17 qualified disaster area, and

18 “(II) which is made during the 1-
19 year period beginning on the date
20 such declaration is made.

21 “(iv) DOLLAR LIMITATION.—

22 “(I) IN GENERAL.—The term
23 ‘qualified disaster-relief distribution’
24 shall not include any distributions
25 with respect to any major disaster de-

1 scribed in clause (iii)(I) to the extent
2 the aggregate amount of such dis-
3 tributions exceeds \$100,000.

4 “(II) TREATMENT OF PLAN DIS-
5 TRIBUTIONS.—If a distribution to an
6 individual with respect to any such
7 major disaster would (without regard
8 to subclause (I)) be a qualified dis-
9 aster-relief distribution, a plan shall
10 not be treated as violating any re-
11 quirement of this title merely because
12 it treats such distribution as a quali-
13 fied disaster-relief distribution, unless
14 the aggregate amount of such dis-
15 tributions from all plans maintained
16 by the employer (and any member of
17 controlled group which includes the
18 employer) to such individual with re-
19 spect to such major disaster exceeds
20 \$100,000.

21 “(v) QUALIFIED DISASTER AREA.—
22 For purposes of this subparagraph, the
23 term ‘qualified disaster area’ means an
24 area—

1 “(I) with respect to which a
2 major disaster has been declared by
3 the President under section 401 of the
4 Robert T. Stafford Disaster Relief
5 and Emergency Assistance Act, and

6 “(II) which is determined by the
7 President to warrant individual assist-
8 ance, or individual and public assist-
9 ance, from the Federal Government
10 under such Act.”.

11 (b) EXEMPTION OF DISTRIBUTIONS FROM TRUSTEE
12 TO TRUSTEE TRANSFER AND WITHHOLDING RULES.—
13 Paragraph (4) of section 402(c) (relating to eligible roll-
14 over distribution) is amended by striking “and” at the end
15 of subparagraph (B), by striking the period at the end
16 of subparagraph (C) and inserting “, and”, and by insert-
17 ing at the end the following new subparagraph:

18 “(D) any qualified disaster-relief distribu-
19 tion (within the meaning of section
20 72(t)(2)(G)).”.

21 (c) CONFORMING AMENDMENTS.—

22 (1) Section 401(k)(2)(B)(i) is amended by
23 striking “or” at the end of subclause (III), by strik-
24 ing “and” at the end of subclause (IV) and inserting

1 “or”, and by inserting after subclause (IV) the fol-
2 lowing new subclause:

3 “(V) the date on which a period
4 referred to in section
5 72(t)(2)(G)(iii)(II) begins (but only to
6 the extent provided in section
7 72(t)(2)(G)), and”.

8 (2) Section 403(b)(7)(A)(ii) is amended by in-
9 serting “sustains a loss as a result of a major dis-
10 aster declared under section 401 of the Robert T.
11 Stafford Disaster Relief and Emergency Assistance
12 Act (but only to the extent provided in section
13 72(t)(2)(G)),” before “or”.

14 (3) Section 403(b)(11) is amended by striking
15 “or” at the end of subparagraph (A), by striking the
16 period at the end of subparagraph (B) and inserting
17 “, or”, and by inserting after subparagraph (B) the
18 following new subparagraph:

19 “(C) for distributions to which section
20 72(t)(2)(G) applies.”.

21 (4) Section 457(d)(1)(A) is amended by strik-
22 ing “or” at the end of clause (ii), by adding “or”
23 at the end of clause (iii), and by adding at the end
24 the following new clause:

1 “(iv) in the case of an eligible de-
2 ferred compensation plan established and
3 maintained by an employer described in
4 subsection (e)(1)(A), when the participant
5 sustains a loss as a result of a major dis-
6 aster declared under section 401 of the
7 Robert T. Stafford Disaster Relief and
8 Emergency Assistance Act (but only to the
9 extent provided in section 72(t)(2)(G)),”.

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

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

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

25 (b) SPECIAL RULES.—

1 (1) APPLICATION TO GOVERNMENTAL SECTION
2 457 PLANS.—In determining whether any distribu-
3 tion is a qualified disaster-relief distribution (as so
4 defined) for purposes of this section, an eligible de-
5 ferred compensation plan (as defined in section
6 457(b) of such Code) maintained by an employer de-
7 scribed in section 457(e)(1)(A) of such Code shall be
8 treated as a qualified retirement plan (as so de-
9 fined).

10 (2) CERTAIN RULES TO APPLY.—Rules similar
11 to the rules of subparagraph (E) of section
12 408A(d)(3) of such Code shall apply for purposes of
13 this section.

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

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

25 (a) RECONTRIBUTIONS.—

1 (1) IN GENERAL.—Any individual who received
2 a qualified distribution may, at any time during the
3 6-month period beginning on the day after the dis-
4 aster declaration date, make one or more contribu-
5 tions in an aggregate amount not to exceed the
6 amount of such qualified distribution to an eligible
7 retirement plan (as defined in section 402(c)(8)(B)
8 of the Internal Revenue Code of 1986) of which such
9 individual is a beneficiary and to which a rollover
10 contribution of such distribution could be made
11 under section 402(c), 403(a)(4), 403(b)(8), or
12 408(d)(3) of such Code, as the case may be.

13 (2) TREATMENT OF REPAYMENTS.—

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

1 distribution (as defined in section 402(c)(4) of
2 such Code) and as having transferred the
3 amount to the eligible retirement plan in a di-
4 rect trustee to trustee transfer within 60 days
5 of the distribution.

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

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

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

22 (A) described in section
23 401(k)(2)(B)(i)(IV), 403(b)(7)(A)(ii) (but only
24 to the extent such distribution relates to finan-

1 cial hardship), 403(b)(11)(B), or 72(t)(2)(F) of
2 the Internal Revenue Code of 1986,

3 (B) received after February 28, 2005, and
4 before August 29, 2005, and

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

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

13 **SEC. 104. LOANS FROM QUALIFIED PLANS TO VICTIMS OF**
14 **HURRICANE KATRINA.**

15 (a) INCREASE IN LIMIT ON LOANS NOT TREATED AS
16 DISTRIBUTIONS.—In the case of any loan from a qualified
17 employer plan (as defined under section 72(p)(4) of the
18 Internal Revenue Code of 1986) to a qualified individual
19 (as defined in section 102(e)) made after the date of en-
20 actment of this Act and before the date which is 1 year
21 after the disaster declaration date (as defined in section
22 103(b)(2))—

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

1 (2) clause (ii) of such section shall be applied
2 by substituting “the present value of the nonforfeit-
3 able accrued benefit of the employee under the plan”
4 for “one-half of the present value of the nonforfeit-
5 able accrued benefit of the employee under the
6 plan”.

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

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

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

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

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

2 (a) IN GENERAL.—If this section applies to any plan
3 or contract amendment such plan or contract shall be
4 treated as being operated in accordance with the terms
5 of the plan during the period described in subsection
6 (b)(2)(A).

7 (b) AMENDMENTS TO WHICH SECTION APPLIES.—

8 (1) IN GENERAL.—This section shall apply to
9 any amendment to any plan or annuity contract
10 which is made—

11 (A) pursuant to any amendment made by
12 this title, or pursuant to any regulation issued
13 by the Secretary of the Treasury or the Sec-
14 retary of Labor under this title, and

15 (B) on or before the last day of the first
16 plan year beginning on or after January 1,
17 2007, or such later date as the Secretary of the
18 Treasury may prescribe.

19 In the case of a governmental plan (as defined in
20 section 414(d) of the Internal Revenue Code of
21 1986), subparagraph (B) shall be applied by sub-
22 stituting the date which is 2 years after the date
23 otherwise applied under subparagraph (B).

24 (2) CONDITIONS.—This section shall not apply
25 to any amendment unless—

26 (A) during the period—

1 (i) beginning on the date the legisla-
 2 tive or regulatory amendment described in
 3 paragraph (1)(A) takes effect (or in the
 4 case of a plan or contract amendment not
 5 required by such legislative or regulatory
 6 amendment, the effective date specified by
 7 the plan), and

8 (ii) ending on the date described in
 9 paragraph (1)(B) (or, if earlier, the date
 10 the plan or contract amendment is adopt-
 11 ed),

12 the plan or contract is operated as if such plan
 13 or contract amendment were in effect; and

14 (B) such plan or contract amendment ap-
 15 plies retroactively for such period.

16 **TITLE II—EMPLOYMENT RELIEF**

17 **SEC. 201. WORK OPPORTUNITY TAX CREDIT FOR HURRI- 18 **CANE KATRINA EMPLOYEE SURVIVORS.****

19 (a) IN GENERAL.—For purposes of section 51 of the
 20 Internal Revenue Code of 1986, a Hurricane Katrina em-
 21 ployee survivor shall be treated as a member of a targeted
 22 group.

23 (b) HURRICANE KATRINA EMPLOYEE SURVIVOR.—
 24 For purposes of this section, the term “Hurricane Katrina

1 employee survivor” means any individual who is certified
2 as an individual who—

- 3 (1) on August 28, 2005, had a principal place
4 of abode in a Hurricane Katrina disaster area, and
5 (2) became unemployed as a result of Hurri-
6 cane Katrina.

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

11 (1) section 51(c)(4) of such Code shall not
12 apply,

13 (2) notwithstanding section 51(d)(12) of such
14 Code, the certification under subsection (b) shall be
15 made in such manner and at such time as deter-
16 mined by the Secretary of the Treasury, except that
17 the certification shall be made by a person other
18 than such employee survivor or the employer (within
19 the meaning of section 51 of such Code), and

20 (3) section 51(i)(2) of such Code shall not
21 apply with respect to the first hire of such employee
22 survivor, unless such employee survivor was an em-
23 ployee of the employer on August 28, 2005.

24 (d) APPLICATION OF SECTION.—This section shall
25 apply to wages (within the meaning of section 51(c) of

1 such Code) paid or incurred to any individual who begins
2 work—

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

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

10 **SEC. 202. EMPLOYEE RETENTION CREDIT FOR EMPLOYERS**

11 **AFFECTED BY HURRICANE KATRINA.**

12 (a) **IN GENERAL.**—In the case of an eligible em-
13 ployer, there shall be allowed as a credit against the tax
14 imposed by chapter 1 of the Internal Revenue Code of
15 1986 for the taxable year an amount equal to 40 percent
16 of the qualified wages with respect to each eligible em-
17 ployee of such employer for such taxable year. For pur-
18 poses of the preceding sentence, the amount of qualified
19 wages which may be taken into account with respect to
20 any individual shall not exceed \$6,000.

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

22 (1) **ELIGIBLE EMPLOYER.**—The term “eligible
23 employer” means any employer—

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

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

10 (2) ELIGIBLE EMPLOYEE.—The term “eligible
11 employee” means with respect to an eligible em-
12 ployer—

13 (A) an employee whose principal place of
14 employment on August 28, 2005, with such eli-
15 gible employer was in a Hurricane Katrina dis-
16 aster area, or

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

24 (3) QUALIFIED WAGES.—The term “qualified
25 wages” means wages (as defined in section 51(c)(1)

1 of the Internal Revenue Code of 1986, but without
2 regard to section 3306(b)(2)(B) of such Code) paid
3 or incurred by an eligible employer with respect to
4 an eligible employee on any day after August 28,
5 2005, and before January 1, 2006, which occurs
6 during the period—

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

12 (B) ending on the date on which such
13 trade or business has resumed significant oper-
14 ations at such principal place of employment.

15 Such term shall include wages paid without regard
16 to whether the employee performs no services, per-
17 forms services at a different place of employment
18 than such principal place of employment, or per-
19 forms services at such principal place of employment
20 before significant operations have resumed.

21 (4) READY RESERVE-NATIONAL GUARD EM-
22 PLOYEE.—The term “Ready Reserve-National
23 Guard employee” means an employee who is a mem-
24 ber of the Ready Reserve of a reserve component of
25 an Armed Force of the United States as described

1 in section 10142 and 10101 of title 10, United
2 States Code and who is performing qualified active
3 duty.

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

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

17 (B) hospitalization incident to such duty.

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

22 (d) CREDIT TO BE PART OF GENERAL BUSINESS
23 CREDIT.—The credit allowed under this section shall be
24 added to the current year business credit under section
25 38(b) of the Internal Revenue Code of 1986 and shall be

1 treated as a credit allowed under subpart D of part IV
2 of subchapter A of chapter 1 of such Code.

3 **TITLE III—CHARITABLE GIVING**
4 **INCENTIVES**

5 **SEC. 301. TEMPORARY INCREASE IN LIMITATION ON INDI-**
6 **VIDUAL AND CORPORATE CHARITABLE CASH**
7 **CONTRIBUTIONS.**

8 (a) IN GENERAL.—In the case of qualified contribu-
9 tions made during the period beginning on August 29,
10 2005, and ending on December 31, 2005, in the case of
11 any taxable year which includes any portion of such pe-
12 riod—

13 (1) subsection (b)(1)(A) of section 170 of the
14 Internal Revenue Code of 1986 shall be applied sep-
15 arately—

16 (A) first without regard to such contribu-
17 tions, and

18 (B) next with regard to such contributions
19 by substituting “60 percent of the taxpayer’s
20 contribution base less the other contributions
21 allowable under this paragraph for the taxable
22 year” for “50 percent of the taxpayer’s con-
23 tribution base for the taxable year”, and

24 (2) subsection (b)(2) of section 170 of such
25 Code shall be applied separately—

1 (A) first without regard to such contribu-
2 tions, and

3 (B) next with regard to such contributions
4 by substituting “15 percent of the taxpayer’s
5 taxable income less the other charitable con-
6 tributions allowable for the taxable year” for
7 “10 percent of the taxpayer’s taxable income”.

8 (b) QUALIFIED CONTRIBUTIONS.—For purposes of
9 this section, the term “qualified contributions” means any
10 charitable contributions (as defined in section 170(c) of
11 such Code) made in cash to an organization described in
12 section 170(b)(1)(A) of such Code.

13 (c) APPLICATION OF CARRYOVER RULES.—For pur-
14 poses of section 170 of such Code—

15 (1) qualified contributions shall not be taken
16 into account under section 170(d)(1)(A)(i) of such
17 Code in determining the amount of the deduction al-
18 lowable under such section with respect to such con-
19 tributions, and

20 (2) to the extent qualified contributions in-
21 crease the amount allowable under section 170 of
22 such Code by reason of subsection (a), such con-
23 tributions shall not be taken into account under sec-
24 tion 170(d) of such Code.

1 (d) FISCAL YEAR TAXPAYERS.—In the case of a tax-
 2 payer whose taxable year ends after August 28, 2005, and
 3 before December 31, 2005, subsection (a) shall apply to
 4 only the one taxable year that the taxpayer elects.

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

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

11 “(8) DISTRIBUTIONS FOR CHARITABLE PUR-
 12 POSES.—

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

16 “(B) QUALIFIED CHARITABLE DISTRIBUTU-
 17 TION.—For purposes of this paragraph, the
 18 term ‘qualified charitable distribution’ means
 19 any distribution made after August 28, 2005,
 20 and before January 1, 2006, from an individual
 21 retirement account—

22 “(i) which is made directly by the
 23 trustee—

24 “(I) to an organization described
 25 in section 170(c), or

1 “(II) to a split-interest entity,

2 and

3 “(ii) which is made on or after—

4 “(I) in the case of any distribu-

5 tion described in clause (i)(I), the

6 date that the individual for whose

7 benefit the account is maintained has

8 attained age 70½, and

9 “(II) in the case of any distribu-

10 tion described in clause (i)(II), the

11 date that such individual has attained

12 age 59½.

13 A distribution shall be treated as a qualified

14 charitable distribution only to the extent that

15 the distribution would be includible in gross in-

16 come without regard to subparagraph (A) and,

17 in the case of a distribution to a split-interest

18 entity, only if no person holds an income inter-

19 est in the amounts in the split-interest entity

20 attributable to such distribution other than one

21 or more of the following: the individual for

22 whose benefit such account is maintained, the

23 spouse of such individual, or any organization

24 described in section 170(c).

1 “(C) CONTRIBUTIONS MUST BE OTHER-
2 WISE DEDUCTIBLE.—For purposes of this para-
3 graph—

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

12 “(ii) SPLIT-INTEREST GIFTS.—A dis-
13 tribution to a split-interest entity shall be
14 treated as a qualified charitable distribu-
15 tion only if a deduction for the entire value
16 of the interest in the distribution for the
17 use of an organization described in section
18 170(c) would be allowable under section
19 170 (determined without regard to sub-
20 section (b) thereof and this paragraph).

21 “(D) APPLICATION OF SECTION 72.—Not-
22 withstanding section 72, in determining the ex-
23 tent to which a distribution is a qualified chari-
24 table distribution, the entire amount of the dis-
25 tribution shall be treated as includible in gross

1 income without regard to subparagraph (A) to
2 the extent that such amount does not exceed
3 the aggregate amount which would have been so
4 includible if all amounts were distributed from
5 all individual retirement accounts treated as 1
6 contract under paragraph (2)(A) for purposes
7 of determining the inclusion on such distribu-
8 tion under section 72. Proper adjustments shall
9 be made in applying section 72 to other dis-
10 tributions in such taxable year and subsequent
11 taxable years.

12 “(E) SPECIAL RULES FOR SPLIT-INTEREST
13 ENTITIES.—

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

22 “(ii) POOLED INCOME FUNDS.—No
23 amount shall be includible in the gross in-
24 come of a pooled income fund (as defined
25 in subparagraph (G)(ii)) by reason of a

1 qualified charitable distribution to such
2 fund, and all distributions from the fund
3 which are attributable to qualified chari-
4 table distributions shall be treated as ordi-
5 nary income to the beneficiary.

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

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

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

18 “(i) a charitable remainder annuity
19 trust or a charitable remainder unitrust
20 (as such terms are defined in section
21 664(d)) which must be funded exclusively
22 by qualified charitable distributions,

23 “(ii) a pooled income fund (as defined
24 in section 642(c)(5)), but only if the fund
25 accounts separately for amounts attrib-

1 utable to qualified charitable distributions,
2 and
3 “(iii) a charitable gift annuity (as de-
4 fined in section 501(m)(5)).”.

5 (b) MODIFICATIONS RELATING TO INFORMATION RE-
6 RETURNS BY CERTAIN TRUSTS.—

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

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

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

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

20 “(1) IN GENERAL.—Every trust not required to
21 file a return under subsection (a) but claiming a de-
22 duction under section 642(c) for the taxable year
23 shall furnish such information with respect to such
24 taxable year as the Secretary may by forms or regu-
25 lations prescribe, including—

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

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

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

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

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

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

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

21 “(A) all the net income for such year, de-
22 termined under the applicable principles of the
23 law of trusts, is required to be distributed cur-
24 rently to the beneficiaries, or

1 “(B) the trust is described in section
2 4947(a)(1).”.

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

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

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

19 “(ii) in the case of any trust with
20 gross income in excess of \$250,000, the
21 first sentence of paragraph (1)(A) shall be
22 applied by substituting ‘\$100’ for ‘\$20’,
23 and the second sentence thereof shall be
24 applied by substituting ‘\$50,000’ for
25 ‘\$10,000’, and

1 “(iii) the third sentence of paragraph
2 (1)(A) shall be disregarded.

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

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

18 (c) EFFECTIVE DATES.—

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

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

1 **SEC. 303. CHARITABLE DEDUCTION FOR CONTRIBUTIONS**
2 **OF FOOD INVENTORIES.**

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

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

10 “(A) EXTENSION TO INDIVIDUALS.—In the
11 case of a charitable contribution of apparently
12 wholesome food—

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

16 “(ii) in the case of a taxpayer other
17 than a C corporation, the aggregate
18 amount of such contributions for any tax-
19 able year which may be taken into account
20 under this section shall not exceed 10 per-
21 cent of the taxpayer’s net income for such
22 taxable year from all trades or businesses
23 from which such contributions were made
24 for such taxable year, computed without
25 regard to this section.

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

9 “(C) DETERMINATION OF BASIS.—If a
10 taxpayer—

11 “(i) does not account for inventories
12 under section 471, and

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

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

19 “(D) DETERMINATION OF FAIR MARKET
20 VALUE.—In the case of a charitable contribu-
21 tion of apparently wholesome food which is a
22 qualified contribution (within the meaning of
23 paragraph (3), as modified by subparagraph
24 (A) of this paragraph) and which, solely by rea-
25 son of internal standards of the taxpayer or

1 lack of market, cannot or will not be sold, the
2 fair market value of such contribution shall be
3 determined—

4 “(i) without regard to such internal
5 standards or such lack of market and

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

12 “(E) APPARENTLY WHOLESOME FOOD.—
13 For purposes of this paragraph, the term ‘ap-
14 parently wholesome food’ has the meaning given
15 such term by section 22(b)(2) of the Bill Emer-
16 son Good Samaritan Food Donation Act (42
17 U.S.C. 1791(b)(2)), as in effect on the date of
18 the enactment of this paragraph.

19 “(F) APPLICATION.—This paragraph shall
20 apply to contributions made after August 28,
21 2005, and before January 1, 2006.”.

22 (b) EFFECTIVE DATE.—The amendment made by
23 this section shall apply to contributions made after August
24 28, 2005.

1 **SEC. 304. CHARITABLE DEDUCTION FOR CONTRIBUTIONS**
2 **OF BOOK INVENTORIES.**

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

8 “(C) SPECIAL RULE FOR CONTRIBUTIONS
9 OF BOOK INVENTORY FOR EDUCATIONAL PUR-
10 POSES.—

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

16 “(I) the donee is an organization
17 described in the matter preceding
18 clause (i) of subparagraph (A), and

19 “(II) the property is to be used
20 by the donee solely for the care of the
21 ill, the needy, or infants.

22 “(ii) AMOUNT OF REDUCTION.—Not-
23 withstanding subparagraph (B), the
24 amount of the reduction determined under
25 paragraph (1)(A) shall not exceed the
26 amount by which the fair market value of

1 the contributed property (as determined by
2 the taxpayer using a bona fide published
3 market price for such book) exceeds twice
4 the basis of such property.

5 “(iii) QUALIFIED BOOK CONTRIBU-
6 TION.—For purposes of this paragraph,
7 the term ‘qualified book contribution’
8 means a charitable contribution of books,
9 but only if the requirements of clauses (iv)
10 and (v) are met.

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

14 “(I) described in subclause (I) or
15 (III) of paragraph (6)(B)(i), or

16 “(II) described in section
17 501(c)(3) and exempt from tax under
18 section 501(a) (other than a private
19 foundation, as defined in section
20 509(a), which is not an operating
21 foundation, as defined in section
22 4942(j)(3)), which is organized pri-
23 marily to make books available to the
24 general public at no cost or to operate
25 a literacy program.

1 “(v) CERTIFICATION BY DONEE.—The
2 requirement of this clause is met if, in ad-
3 dition to the certifications required by sub-
4 paragraph (A) (as modified by this sub-
5 paragraph), the donee certifies in writing
6 that—

7 “(I) the books are suitable, in
8 terms of currency, content, and quan-
9 tity, for use in the donee’s educational
10 programs, and

11 “(II) the donee will use the books
12 in its educational programs.

13 “(vi) BONA FIDE PUBLISHED MARKET
14 PRICE.—For purposes of this subpara-
15 graph, the term ‘bona fide published mar-
16 ket price’ means, with respect to any book,
17 a price—

18 “(I) determined using the same
19 printing and edition,

20 “(II) determined in the usual
21 market in which such a book has been
22 customarily sold by the taxpayer, and

23 “(III) for which the taxpayer can
24 demonstrate to the satisfaction of the
25 Secretary that the taxpayer custom-

1 arily sold such books in arm's length
2 transactions within 7 years preceding
3 the contribution of such a book.

4 “(vii) APPLICATION.—This subpara-
5 graph shall apply to contributions made
6 after August 28, 2005, and before January
7 1, 2006.”.

8 (b) EFFECTIVE DATE.—The amendments made by
9 this section shall apply to contributions made after August
10 28, 2005.

11 **SEC. 305. ADDITIONAL PERSONAL EXEMPTION AMOUNT**
12 **FOR HURRICANE KATRINA HOUSEGUEST.**

13 (a) IN GENERAL.—In the case of the taxpayer's tax-
14 able year beginning in 2005, the amount allowed as a de-
15 duction in computing taxable income of the taxpayer
16 under section 151 of the Internal Revenue Code of 1986
17 shall be increased by the lesser of—

18 (1) the product of—

19 (A) \$500, and

20 (B) the number of Hurricane Katrina
21 houseguests of the taxpayer, or

22 (2) \$2,000.

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

1 such use. Any increase under this section shall be rounded
2 to the next highest cent.

3 **TITLE IV—ADDITIONAL TAX**
4 **RELIEF PROVISIONS**

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

8 (a) **IN GENERAL.**—For purposes of the Internal Rev-
9 enue Code of 1986, gross income shall not include any
10 amount which (but for this section) would be includible
11 in gross income by reason of the discharge (in whole or
12 in part) of indebtedness of a natural person by an applica-
13 ble entity (as defined in section 6050P(c)(1)) if the dis-
14 charge is by reason of the damage sustained by the tax-
15 payer in connection with Hurricane Katrina.

16 (b) **EXCEPTION.**—Subsection (a) shall not apply to
17 any indebtedness incurred in connection with a trade or
18 business.

19 (c) **DENIAL OF DOUBLE BENEFIT.**—The amount ex-
20 cluded from gross income under subsection (a) shall be
21 applied to reduce the tax attributes of the taxpayer as pro-
22 vided in section 108(b) of such Code.

23 (d) **EFFECTIVE DATE.**—This section shall apply to
24 discharges made on or after August 29, 2005, and before
25 January 1, 2007.

1 **SEC. 402. MODIFICATION TO CASUALTY LOSS RULES FOR**
2 **VICTIMS OF HURRICANE KATRINA.**

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

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

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

10 **SEC. 403. REQUIRED EXERCISE OF AUTHORITY UNDER SEC-**
11 **TION 7508A FOR TAX RELIEF FOR VICTIMS OF**
12 **HURRICANE KATRINA.**

13 (a) **AUTHORITY INCLUDES SUSPENSION OF PAY-**
14 **MENT OF EMPLOYMENT AND EXCISE TAXES.**—Subpara-
15 graphs (A) and (B) of section 7508(a)(1) are amended
16 to read as follows:

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

19 “(B) Payment of any income, estate, gift,
20 employment, or excise tax or any installment
21 thereof or of any other liability to the United
22 States in respect thereof;”.

23 (b) **APPLICATION TO VICTIMS OF HURRICANE**
24 **KATRINA.**—In the case of any taxpayer determined by the
25 Secretary of the Treasury to be affected by the Presi-
26 dentially declared disaster relating to Hurricane Katrina,

1 any relief provided by the Secretary of the Treasury under
2 section 7508A of the Internal Revenue Code of 1986 shall
3 be for a period ending not earlier than February 28, 2006,
4 and shall be treated as applying to the filing of returns
5 relating to, and the payment of, employment and excise
6 taxes.

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

10 **SEC. 404. SPECIAL MORTGAGE FINANCING RULES FOR**
11 **RESIDENCES LOCATED IN HURRICANE**
12 **KATRINA DISASTER AREA.**

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

18 (1) Subsections (d), (e) and (f) of such section
19 143 shall be applied as if such residence were a tar-
20 geted area residence.

21 (2) Subsection (f)(3) of such section 143 shall
22 be applied without regard to subparagraph (A)
23 thereof.

24 (3) The limitation under subsection (k)(4) of
25 such section 143 shall be increased (but not above

1 \$150,000) to the extent the qualified home-improve-
2 ment loan is for the repair of damage caused by
3 Hurricane Katrina.

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

6 **SEC. 405. EXTENSION OF REPLACEMENT PERIOD FOR NON-**
7 **RECOGNITION OF GAIN FOR PROPERTY LO-**
8 **CATED IN HURRICANE KATRINA DISASTER**
9 **AREA.**

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

18 **SEC. 406. SPECIAL RULE FOR DETERMINING EARNED IN-**
19 **COME.**

20 (a) IN GENERAL.—In the case of a qualified indi-
21 vidual, if the earned income of the taxpayer for the taxable
22 year of such taxpayer which includes August 28, 2005,
23 is less than the earned income which attributable to the
24 taxpayer for the preceding taxable year, the credits al-
25 lowed under sections 24(d) and 32 of the Internal Revenue

1 Code of 1986 may, at the election of the taxpayer, be de-
2 termined by substituting—

3 (1) such earned income for the preceding tax-
4 able year, for

5 (2) such earned income for the taxable year
6 which includes August 28, 2005.

7 (b) QUALIFIED INDIVIDUAL.—For purposes of this
8 section, the term “qualified individual” means any indi-
9 vidual who was (as of August 28, 2005) a resident of any
10 area which is determined by the President to warrant indi-
11 vidual or individual and public assistance from the Federal
12 Government under the Robert T. Stafford Disaster Relief
13 and Emergency Assistance Act by reason of Hurricane
14 Katrina.

15 (c) EARNED INCOME.—For purposes of this section,
16 the term “earned income” has the meaning given such
17 term under section 32(c) of such Code.

18 (d) SPECIAL RULES.—

19 (1) APPLICATION TO JOINT RETURNS.—For
20 purpose of subsection (a), in the case of a joint re-
21 turn for a taxable year which includes August 28,
22 2005—

23 (A) such subsection shall apply if either
24 spouse is a qualified individual,

1 (B) the earned income which is attrib-
2 utable to the taxpayer for the preceding taxable
3 year shall be the sum of the earned income
4 which is attributable to each spouse for such
5 preceding taxable year, and

6 (C) the substitution described in such sub-
7 section shall apply only with respect to earned
8 income which is attributable to a spouse who is
9 a qualified individual.

10 (2) UNIFORM APPLICATION OF ELECTION.—
11 Any election made under subsection (a) shall apply
12 with respect to both section 24(d) and section 32 of
13 such Code.

14 (3) ERRORS TREATED AS MATHEMATICAL
15 ERROR.—For purposes of section 6213 of such
16 Code, an incorrect use on a return of earned income
17 pursuant to subsection (a) shall be treated as a
18 mathematical or clerical error.

19 (4) NO EFFECT ON DETERMINATION OF GROSS
20 INCOME.—For purposes of the Internal Revenue
21 Code of 1986, gross income shall be determined
22 without regard to any substitution under subsection
23 (a).

1 **SEC. 407. SECRETARIAL AUTHORITY TO MAKE ADJUST-**
2 **MENTS REGARDING TAXPAYER AND DEPEND-**
3 **ENCY STATUS.**

4 With respect to taxable years beginning in 2005 or
5 2006, the Secretary of the Treasury or the Secretary's del-
6 egate may make such adjustments in the application of
7 the internal revenue laws as may be necessary to ensure
8 that taxpayers do not lose any deduction or credit or expe-
9 rience a change of filing status by reason of temporary
10 relocations after Hurricane Katrina or by reason of the
11 receipt of hurricane relief. Any adjustments made under
12 the preceding sentence shall ensure that an individual is
13 not taken into account by more than one taxpayer with
14 respect to the same tax benefit.

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

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

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

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

25 “(A) SPECIFIC NOTIFICATIONS.—In the
26 case of an organization to which paragraph (1)

1 applies, the Secretary may disclose to the ap-
2 propriate State officer—

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

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

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

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

23 “(C) PROCEDURES FOR DISCLOSURE.—In-
24 formation may be inspected or disclosed under
25 subparagraph (A) or (B) only—

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

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

7 Such information may only be inspected by or
8 disclosed to a person other than the appropriate
9 State officer if such person is an officer or em-
10 ployee of the State and is designated by the ap-
11 propriate State officer to receive the returns or
12 return information under this paragraph on be-
13 half of the appropriate State officer.

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

23 “(3) DISCLOSURE WITH RESPECT TO CERTAIN
24 OTHER EXEMPT ORGANIZATIONS.—Upon written re-
25 quest by an appropriate State officer, the Secretary

1 may make available for inspection or disclosure re-
2 turns and return information of an organization de-
3 scribed in paragraph (2), (4), (6), (7), (8), (10), or
4 (13) of section 501(c) for the purpose of, and to the
5 extent necessary in, the administration of State laws
6 regulating the solicitation or administration of the
7 charitable funds or charitable assets of such organi-
8 zations. Such information may only be inspected by
9 or disclosed to a person other than the appropriate
10 State officer if such person is an officer or employee
11 of the State and is designated by the appropriate
12 State officer to receive the returns or return infor-
13 mation under this paragraph on behalf of the appro-
14 priate State officer.

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

23 “(5) NO DISCLOSURE IF IMPAIRMENT.—Re-
24 turns and return information shall not be disclosed
25 under this subsection, or in any proceeding described

1 in paragraph (4), to the extent that the Secretary
2 determines that such disclosure would seriously im-
3 pair Federal tax administration.

4 “(6) DEFINITIONS.—For purposes of this sub-
5 section—

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

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

12 “(i) the State attorney general,

13 “(ii) the State tax officer,

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

19 “(iv) in the case of an organization to
20 which paragraph (3) applies, the head of
21 an agency designated by the State attorney
22 general as having primary responsibility
23 for overseeing the solicitation of funds for
24 charitable purposes.”.

25 (b) CONFORMING AMENDMENTS.—

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

4 (2) Paragraph (4) of section 6103(p) is amend-
5 ed—

6 (A) in the matter preceding subparagraph
7 (A), by inserting “, or any appropriate State of-
8 ficer (as defined in section 6104(c)),” before
9 “or any other person”,

10 (B) in subparagraph (F)(i), by inserting
11 “or any appropriate State officer (as defined in
12 section 6104(c)),” before “or any other per-
13 son”, and

14 (C) in the matter following subparagraph
15 (F), by inserting “, an appropriate State officer
16 (as defined in section 6104(c)),” after “includ-
17 ing an agency” each place it appears.

18 (3) The heading for paragraph (1) of section
19 6104(e) is amended by inserting “FOR CHARITABLE
20 ORGANIZATIONS” after “RULE”.

21 (4) Paragraph (2) of section 7213(a) is amend-
22 ed by inserting “or under section 6104(c)” after
23 “6103”.

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

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

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

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

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

14 (1) in fiscal years 2005 and 2006—

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

17 (B) to provide taxpayer assistance to any
18 taxpayer determined by the Secretary of the
19 Treasury to be affected by the Presidentially
20 declared disaster relating to Hurricane Katrina,
21 and

22 (C) to aid the Internal Revenue Service in
23 repairing, rebuilding, and recovering from the
24 damage to Internal Revenue Service offices,

1 equipment, and support caused by Hurricane
2 Katrina, and

3 (2) in any fiscal year after 2006—

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

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

Calendar No. 212

109TH CONGRESS
1ST Session

S. 1696

A BILL

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

SEPTEMBER 15, 2005

Committee discharged; amended and ordered to be placed
on the calendar