

111TH CONGRESS
2D SESSION

S. 3934

To provide tax relief for persons affected by the discharge of oil in connection with the explosion on, and sinking of, the mobile offshore drilling unit Deepwater Horizon.

IN THE SENATE OF THE UNITED STATES

SEPTEMBER 29, 2010

Mr. WICKER (for himself and Mr. VITTER) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To provide tax relief for persons affected by the discharge of oil in connection with the explosion on, and sinking of, the mobile offshore drilling unit Deepwater Horizon.

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.**

4 This Act may be cited as the “Gulf Coast Oil Recov-
5 ery Zone Tax Relief and Economic Recovery Act”.

6 **SEC. 2. RECOVERY ZONE; GULF OIL SPILL.**

7 For purposes of this Act—

1 (1) RECOVERY ZONE.—The term “Recovery
2 Zone” means the following counties and parishes af-
3 fected by the Gulf oil spill:

4 (A) The counties of Escambia, Santa
5 Rosa, Okaloosa, Walton, Bay, Gulf, Franklin,
6 and Wakulla in the State of Florida.

7 (B) The counties of Hancock, Harrison,
8 and Jackson in the State of Mississippi.

9 (C) The counties of Mobile and Baldwin in
10 the State of Alabama.

11 (D) The parishes of Orleans, St. Tam-
12 many, St. Bernard, Plaquemines, Jefferson,
13 Lafourche, Terrebonne, St. Mary, Iberia,
14 Vermilion, and Cameron in the State of Lou-
15 isiana.

16 (2) GULF OIL SPILL.—The term “Gulf oil spill”
17 means the discharge of oil by reason of the explosion
18 on, and sinking of, the mobile offshore drilling unit
19 Deepwater Horizon.

20 **SEC. 3. NON-RECOGNITION OF INCOME FROM INSURANCE**
21 **PROCEEDS WHICH ARE REINVESTED IN THE**
22 **RECOVERY ZONE.**

23 (a) IN GENERAL.—For purposes of the Internal Rev-
24 enue Code of 1986, amounts received from any qualified
25 Gulf oil spill payment shall be recognized only to the ex-

1 tent that the amount realized exceeds the qualified invest-
2 ments made by the taxpayer with respect to such qualified
3 Gulf oil spill payment.

4 (b) QUALIFIED GULF OIL SPILL PAYMENT.—For
5 purposes of this section, the term “qualified Gulf oil spill
6 payment” means—

7 (1) any proceeds or payments from insurance
8 received in connection with the Gulf oil spill, or

9 (2) any payment for damages attributable to
10 the Gulf oil spill under section 1002 of the Oil Pollu-
11 tion Act of 1990 (33 U.S.C. 2702).

12 (c) QUALIFIED INVESTMENT.—For purposes of this
13 section—

14 (1) IN GENERAL.—The term “qualified invest-
15 ment” means, with respect to any qualified Gulf oil
16 spill payment, the sum of the qualified recovery zone
17 investments which are made by the taxpayer before
18 the date which is 6 months after the later of—

19 (A) the date of the qualified Gulf oil spill
20 payment, or

21 (B) the date of the enactment of this Act.

22 (2) QUALIFIED RECOVERY ZONE INVEST-
23 MENT.—The term “qualified recovery zone invest-
24 ment” means sum of—

1 (A) amounts paid or incurred for tangible
 2 property (to which section 168 of the Internal
 3 Revenue Code of 1986 applies) acquired by pur-
 4 chase (within the meaning of section 179(d)(2)
 5 of such Code) for use in the active conduct of
 6 an recovery zone trade or business property,
 7 plus

8 (B) amounts paid or incurred for start-up
 9 expenditures (as defined in section 195(c)) in
 10 connection with a qualified recovery zone trade
 11 or business.

12 (3) QUALIFIED RECOVERY ZONE TRADE OR
 13 BUSINESS.—The term “qualified recovery zone trade
 14 or business” means—

15 (A) any commercial or charter fishing busi-
 16 ness operating in the recovery zone, or

17 (B) any hotel, lodging, recreation, enter-
 18 tainment, or restaurant business located in the
 19 recovery zone.

20 (d) REDUCTION IN BASIS.—For purposes of section
 21 1016 of the Internal Revenue Code of 1986, the basis in
 22 any qualified investment shall be reduced (but not below
 23 zero) by an amount equal to the amount that bears the
 24 same ratio to such basis (determined without regard to
 25 this subsection) as the amount of qualified Gulf oil spill

1 payments received by the taxpayer bears to the amount
2 of qualified investments made the by taxpayer with respect
3 to such qualified Gulf oil spill payments.

4 **SEC. 4. 5-YEAR NET OPERATING LOSS CARRYBACK FOR**
5 **CERTAIN OIL SPILL-RELATED LOSSES.**

6 (a) IN GENERAL.—For purposes of the Internal Rev-
7 enue Code of 1986, in the case of a taxpayer which has
8 a qualified oil spill loss (as defined in subsection (b)) for
9 a taxable year, such qualified oil spill loss shall be a net
10 operating loss carryback under section 172 of such Code
11 to each of the 5 taxable years preceding the taxable year
12 of such loss.

13 (b) QUALIFIED OIL SPILL LOSSES.—For purposes of
14 this section—

15 (1) DEFINITION.—

16 (A) IN GENERAL.—Except as otherwise
17 provided in this paragraph, the term “qualified
18 oil spill loss” means the lesser of—

19 (i) the excess of—

20 (I) the amount of losses in a tax-
21 able year ending after April 20, 2010,
22 and before October 1, 2011, incurred
23 by any trade or business operating in
24 the recovery zone and attributable to
25 the Gulf oil spill, over

1 (II) amounts received during
2 such taxable year as payments for lost
3 profits and earning capacity under
4 section 1002(b)(2)(E) of the Oil Pol-
5 lution Act of 1990 (33 U.S.C.
6 2702(b)(2)(E)), or

7 (ii) the amount of the net operating
8 loss (as defined in section 172(c) of the In-
9 ternal Revenue Code of 1986) for such
10 taxable year.

11 (B) SAFE HARBOR FOR CERTAIN SMALL
12 BUSINESSES.—In the case of any taxpayer the
13 gross revenues of whom for any taxable year
14 ending after April 20, 2010, and before October
15 1, 2011, do not exceed \$5,000,000, such term
16 means the amount of the net operating loss (as
17 so defined) of such business for such taxable
18 year.

19 (C) COORDINATION WITH QUALIFIED DIS-
20 ASTER LOSSES.—Such term shall not include
21 any qualified disaster loss (as defined in section
22 172(j) of the Internal Revenue Code of 1986).

23 (2) COORDINATION WITH SUBSECTION (b)(2).—
24 For purposes of applying section 172(b)(2) of such
25 Code, a qualified oil spill loss for any taxable year

1 shall be treated in a manner similar to the manner
2 in which a specified liability loss (as defined in sec-
3 tion 172(f) of such Code) is treated.

4 (3) ELECTION.—Any taxpayer entitled to a 5-
5 year carryback under subsection (a) from any loss
6 year may elect to have the carryback period with re-
7 spect to such loss year determined without regard to
8 subsection (a). Such election shall be made in such
9 manner as may be prescribed by the Secretary and
10 shall be made by the due date (including extensions
11 of time) for filing the taxpayer's return for the tax-
12 able year of the net operating loss. Such election,
13 once made for any taxable year, shall be irrevocable
14 for such taxable year.

15 (c) EFFECTIVE DATE.—

16 (1) IN GENERAL.—Except as otherwise pro-
17 vided in this subsection, this section shall apply to
18 net operating losses (as so defined) arising in tax-
19 able years ending after April 20, 2010.

20 (2) TRANSITION RULE.—In the case of a net
21 operating loss (as so defined) for a taxable year end-
22 ing before the date of the enactment of this Act—

23 (A) notwithstanding subsection
24 (b)(1)(H)(iii)(II) or (b)(3) of section 172 of the
25 Internal Revenue Code of 1986, any election

1 made under such subsections with respect to
2 such loss may be revoked before the applicable
3 date,

4 (B) any election made under subsection (a)
5 with respect to such loss shall (notwithstanding
6 such section) be treated as timely made if made
7 before the applicable date, and

8 (C) any application under section 6411(a)
9 of such Code with respect to such loss shall be
10 treated as timely filed if filed before the appli-
11 cable date.

12 For purposes of this paragraph, the term “applica-
13 ble date” means the date which is 60 days after the
14 date of the enactment of this Act.

15 **SEC. 5. TAX-FAVORED WITHDRAWALS FROM RETIREMENT**
16 **PLANS FOR RELIEF RELATING TO THE GULF**
17 **OIL SPILL.**

18 (a) IN GENERAL.—Section 72(t) of the Internal Rev-
19 enue Code of 1986 shall not apply to any qualified Gulf
20 Coast oil spill distribution.

21 (b) AGGREGATE DOLLAR LIMITATION.—

22 (1) IN GENERAL.—For purposes of this section,
23 the aggregate amount of distributions received by an
24 individual which may be treated as qualified Gulf

1 Coast oil spill distributions for any taxable year shall
2 not exceed the excess (if any) of—

3 (A) \$100,000, over

4 (B) the aggregate amounts treated as
5 qualified Gulf Coast oil spill distributions re-
6 ceived by such individual for all prior taxable
7 years.

8 (2) TREATMENT OF PLAN DISTRIBUTIONS.—If
9 a distribution to an individual would (without regard
10 to paragraph (1)) be a qualified Gulf Coast oil spill
11 distribution, a plan shall not be treated as violating
12 any requirement of the Internal Revenue Code of
13 1986 merely because the plan treats such distribu-
14 tion as a qualified Gulf Coast oil spill distribution,
15 unless the aggregate amount of such distributions
16 from all plans maintained by the employer (and any
17 member of any controlled group which includes the
18 employer) to such individual exceeds \$100,000.

19 (3) CONTROLLED GROUP.—For purposes of
20 paragraph (2), the term “controlled group” means
21 any group treated as a single employer under sub-
22 section (b), (c), (m), or (o) of section 414 of such
23 Code.

24 (c) AMOUNT DISTRIBUTED MAY BE REPAYED.—

1 (1) IN GENERAL.—Any individual who receives
2 a qualified Gulf Coast oil spill distribution may, at
3 any time during the 3-year period beginning on the
4 day after the date on which such distribution was re-
5 ceived, make one or more contributions in an aggre-
6 gate amount not to exceed the amount of such dis-
7 tribution to an eligible retirement plan of which such
8 individual is a beneficiary and to which a rollover
9 contribution of such distribution could be made
10 under section 402(c), 403(a)(4), 403(b)(8),
11 408(d)(3), or 457(e)(16) of such Code, as the case
12 may be.

13 (2) TREATMENT OF REPAYMENTS OF DISTRIBUTIONS FROM ELIGIBLE RETIREMENT PLANS OTHER
14 THAN IRAS.—For purposes of such Code, if a con-
15 tribution is made pursuant to paragraph (1) with re-
16 spect to a qualified Gulf Coast oil spill distribution
17 from an eligible retirement plan other than an indi-
18 vidual retirement plan, then the taxpayer shall, to
19 the extent of the amount of the contribution, be
20 treated as having received the qualified Gulf Coast
21 oil spill distribution in an eligible rollover distribu-
22 tion (as defined in section 402(c)(4) of such Code)
23 and as having transferred the amount to the eligible
24

1 retirement plan in a direct trustee to trustee trans-
2 fer within 60 days of the distribution.

3 (3) TREATMENT OF REPAYMENTS FOR DIS-
4 TRIBUTIONS FROM IRAS.—For purposes of such
5 Code, if a contribution is made pursuant to para-
6 graph (1) with respect to a qualified Gulf Coast oil
7 spill distribution from an individual retirement plan
8 (as defined by section 7701(a)(37) of such Code),
9 then, to the extent of the amount of the contribu-
10 tion, the qualified Gulf Coast oil spill distribution
11 shall be treated as a distribution described in section
12 408(d)(3) of such Code and as having been trans-
13 ferred to the eligible retirement plan in a direct
14 trustee to trustee transfer within 60 days of the dis-
15 tribution.

16 (d) DEFINITIONS.—For purposes of this section—

17 (1) QUALIFIED GULF COAST OIL SPILL DIS-
18 TRIBUTION.—Except as provided in subsection (b),
19 the term “qualified Gulf Coast oil spill distribution”
20 means any distribution from an eligible retirement
21 plan made on or after April 20, 2010, and before
22 January 1, 2012, to an individual whose principal
23 place of abode on April 20, 2010, is located in the
24 recovery zone and who has sustained an economic
25 loss by reason of the Gulf oil spill.

1 (2) ELIGIBLE RETIREMENT PLAN.—The term
2 “eligible retirement plan” shall have the meaning
3 given such term by section 402(c)(8)(B) of such
4 Code.

5 (e) INCOME INCLUSION SPREAD OVER 3-YEAR PE-
6 RIOD FOR QUALIFIED GULF COAST OIL SPILL DISTRIBU-
7 TIONS.—

8 (1) IN GENERAL.—In the case of any qualified
9 Gulf Coast oil spill distribution, unless the taxpayer
10 elects not to have this subsection apply for any tax-
11 able year, any amount required to be included in
12 gross income for such taxable year shall be so in-
13 cluded ratably over the 3-taxable year period begin-
14 ning with such taxable year.

15 (2) SPECIAL RULE.—For purposes of para-
16 graph (1), rules similar to the rules of subparagraph
17 (E) of section 408A(d)(3) of such Code shall apply.

18 (f) SPECIAL RULES.—

19 (1) EXEMPTION OF DISTRIBUTIONS FROM
20 TRUSTEE TO TRUSTEE TRANSFER AND WITH-
21 HOLDING RULES.—For purposes of sections
22 401(a)(31), 402(f), and 3405 of such Code, qualified
23 Gulf Coast oil spill distributions shall not be treated
24 as eligible rollover distributions.

1 (2) QUALIFIED GULF COAST OIL SPILL DIS-
2 TRIBUTIONS TREATED AS MEETING PLAN DISTRIBUTU-
3 TION REQUIREMENTS.—For purposes of such Code,
4 a qualified Gulf Coast oil spill distribution shall be
5 treated as meeting the requirements of sections
6 401(k)(2)(B)(i), 403(b)(7)(A)(ii), 403(b)(11), and
7 457(d)(1)(A) of such Code.

8 **SEC. 6. LOANS FROM QUALIFIED PLANS FOR RELIEF RE-**
9 **LATING TO THE GULF OIL SPILL.**

10 (a) INCREASE IN LIMIT ON LOANS NOT TREATED AS
11 DISTRIBUTIONS.—In the case of any loan from a qualified
12 employer plan (as defined under section 72(p)(4) of the
13 Internal Revenue Code of 1986) to a qualified individual
14 made after the date of enactment of this Act and before
15 January 1, 2012—

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

19 (2) clause (ii) of such section shall be applied
20 by substituting “the present value of the nonforfeit-
21 able accrued benefit of the employee under the plan”
22 for “one-half of the present value of the nonforfeit-
23 able accrued benefit of the employee under the
24 plan”.

1 (b) DELAY OF REPAYMENT.—In the case of a quali-
2 fied individual with an outstanding loan on or after April
3 20, 2010, from a qualified employer plan (as defined in
4 section 72(p)(4) of such Code)—

5 (1) if the due date pursuant to subparagraph
6 (B) or (C) of section 72(p)(2) of such Code for any
7 repayment with respect to such loan occurs during
8 the period beginning on April 20, 2010, and ending
9 on December 31, 2011, such due date shall be de-
10 layed for 1 year,

11 (2) any subsequent repayments with respect to
12 any such loan shall be appropriately adjusted to re-
13 flect the delay in the due date under paragraph (1)
14 and any interest accruing during such delay, and

15 (3) in determining the 5-year period and the
16 term of a loan under subparagraph (B) or (C) of
17 section 72(p)(2) of such Code, the period described
18 in paragraph (1) shall be disregarded.

19 (c) QUALIFIED INDIVIDUAL.—For purposes of this
20 section, the term “qualified individual” means an indi-
21 vidual whose principal place of abode on April 20, 2005,
22 is located in the recovery zone and who has sustained an
23 economic loss by reason of the Gulf oil spill.

1 **SEC. 7. WORK OPPORTUNITY TAX CREDIT FOR QUALIFIED**
2 **RECOVERY ZONE EMPLOYEES.**

3 (a) **IN GENERAL.**—For purposes of section 51 of the
4 Internal Revenue Code of 1986, a qualified recovery zone
5 employee shall be treated as a member of a targeted
6 group.

7 (b) **QUALIFIED RECOVERY ZONE EMPLOYEE.**—For
8 purposes of this section, the term “Qualified recovery zone
9 employee” means any individual who on April 20, 2010,
10 had a principal place of abode in the recovery zone and
11 who is hired during the 2-year period beginning on such
12 date for a position the principal place of employment of
13 which is located in the recovery zone.

14 (c) **REASONABLE IDENTIFICATION ACCEPTABLE.**—In
15 lieu of the certification requirement under subparagraph
16 (A) of section 51(d)(12) of such Code, an individual may
17 provide to the employer reasonable evidence that the indi-
18 vidual is a qualified recovery zone employee, and subpara-
19 graph (B) of such section shall be applied as if such evi-
20 dence were a certification described in such subparagraph.

21 (d) **SPECIAL RULES FOR DETERMINING CREDIT.**—
22 For purposes of applying subpart F of part IV of sub-
23 chapter A of chapter 1 of such Code to wages paid or in-
24 curred to any Hurricane Katrina employee—

25 (1) section 51(c)(4) of such Code shall not
26 apply, and

1 (2) section 51(i)(2) of such Code shall not
2 apply with respect to the first hire of such employee
3 as a qualified recovery zone employee, unless such
4 employee was an employee of the employer on April
5 20, 2010.

6 **SEC. 8. SPECIAL ALLOWANCE FOR CERTAIN PROPERTY AC-**
7 **QUIRED ON OR AFTER APRIL 20, 2010.**

8 (a) **ADDITIONAL ALLOWANCE.**—For purposes of the
9 Internal Revenue Code of 1986, any qualified recovery
10 zone property shall be treated as qualified property under
11 section 168(k) of such Code.

12 (b) **QUALIFIED RECOVERY ZONE PROPERTY.**—For
13 purposes of this section—

14 (1) **IN GENERAL.**—The term “qualified recovery
15 zone property” means property—

16 (A) which is described in section
17 168(k)(2)(A)(i) of the Internal Revenue Code of
18 1986,

19 (B) substantially all of the use of which is
20 in the recovery zone and is in the active conduct
21 of a trade or business by the taxpayer in such
22 Zone,

23 (C) the original use of which in the recov-
24 ery zone commences with the taxpayer on or
25 after April 20, 2010,

1 (D) which is acquired by the taxpayer by
2 purchase (as defined in section 179(d)) on or
3 after April 20, 2010, but only if no written
4 binding contract for the acquisition was in ef-
5 fect before April 20, 2010, and

6 (E) which is placed in service by the tax-
7 payer on or before January 1, 2013.

8 (2) EXCEPTIONS.—

9 (A) ALTERNATIVE DEPRECIATION PROP-
10 ERTY.—Such term shall not include any prop-
11 erty described in section 168(k)(2)(D)(i) of the
12 Internal Revenue Code of 1986.

13 (B) TAX-EXEMPT BOND-FINANCED PROP-
14 ERTY.—Such term shall not include any prop-
15 erty any portion of which is financed with the
16 proceeds of any obligation the interest on which
17 is exempt from tax under section 103 of such
18 Code.

19 (C) QUALIFIED REVITALIZATION BUILD-
20 INGS.—Such term shall not include any quali-
21 fied revitalization building with respect to which
22 the taxpayer has elected the application of
23 paragraph (1) or (2) of section 1400I(a) of
24 such Code.

1 (D) ELECTION OUT.—If a taxpayer makes
2 an election under this subparagraph with re-
3 spect to any class of property for any taxable
4 year, this section shall not apply to all property
5 in such class placed in service during such tax-
6 able year.

7 (E) BONUS DEPRECIATION PROPERTY
8 UNDER SECTION 168(k).—Such term shall not
9 include any property to which section 168(k)
10 applies.

11 (c) SPECIAL RULES.—For purposes of this section,
12 rules similar to the rules of subparagraph (E) of section
13 168(k)(2) of the Internal Revenue Code of 1986 shall
14 apply to qualified recovery zone property, except that such
15 subparagraph shall be applied—

16 (1) by substituting “April 20, 2010” for “De-
17 cember 31, 2007” each place it appears therein,

18 (2) by substituting “January 1, 2013” for
19 “January 1, 2011” in clause (i) thereof, and

20 (3) by substituting “qualified recovery zone
21 property” for “qualified property” in clause (iv)
22 thereof.

1 **SEC. 9. EXTENSION OF 15-YEAR RECOVERY PERIOD FOR**
2 **CERTAIN PROPERTY PLACED IN SERVICE IN**
3 **THE RECOVERY ZONE.**

4 For purposes of section 168 of the Internal Revenue
5 Code of 1986, the term “15-year property” shall include
6 qualified leasehold improvement property (as defined by
7 section 168(e)(6) of such Code), qualified restaurant prop-
8 erty (as defined by section 168(e)(7) of such Code), and
9 qualified retail improvement property (as defined by sec-
10 tion 168(e)(8) of such Code, determined without regard
11 to subclause (E) thereof) which is placed in service in the
12 recovery zone after April 20, 2010, and before January
13 1, 2013.

14 **SEC. 10. TAX-EXEMPT BOND FINANCING.**

15 (a) IN GENERAL.—For purposes of the Internal Rev-
16 enue Code of 1986—

17 (1) any qualified recovery zone bond described
18 in subsection (b)(1)(A) shall be treated as an exempt
19 facility bond under section 142 of such Code, and

20 (2) any qualified recovery zone bond described
21 in subsection (b)(1)(B) shall be treated as a quali-
22 fied mortgage bond under section 143(a) of such
23 Code.

24 (b) QUALIFIED RECOVERY ZONE BOND.—For pur-
25 poses of this section, the term “qualified recovery zone
26 bond” means any bond issued as part of an issue if—

1 (1)(A) 95 percent or more of the net proceeds
2 (as defined in section 150(a)(3) of the Internal Rev-
3 enue Code of 1986) of such issue are to be used for
4 qualified project costs, or

5 (B) such issue meets the requirements of a
6 qualified mortgage issue (as defined in section
7 143(a)(2) of such Code), except as otherwise pro-
8 vided in this subsection,

9 (2) such bond is issued by the State of Florida,
10 Alabama, Louisiana, or Mississippi, or any political
11 subdivision thereof,

12 (3) such bond is designated for purposes of this
13 section by—

14 (A) in the case of a bond which is required
15 under State law to be approved by the bond
16 commission of such State, such bond commis-
17 sion, and

18 (B) in the case of any other bond, the Gov-
19 ernor of such State,

20 (4) such bond is issued after the date of the en-
21 actment of this Act and before January 1, 2016,
22 and

23 (5) no portion of the proceeds of such issue is
24 to be used to provide any property described in sec-

1 tion 144(c)(6)(B) of the Internal Revenue Code of
2 1986.

3 (c) LIMITATIONS ON BONDS.—The maximum aggre-
4 gate face amount of bonds which may be designated under
5 this section with respect to any State shall not exceed the
6 product of \$2,500 multiplied by the portion of the State
7 population which is in the recovery zone (as determined
8 on the basis of the most recent census estimate of resident
9 population released by the Bureau of Census before April
10 20, 2010).

11 (d) QUALIFIED PROJECT COSTS.—For purposes of
12 this section, the term “qualified project costs” means—

13 (1) the cost of any qualified residential rental
14 project (as defined in section 142(d) of the Internal
15 Revenue Code of 1986) located in the recovery zone,
16 and

17 (2) the cost of acquisition, construction, recon-
18 struction, and renovation of—

19 (A) nonresidential real property (including
20 fixed improvements associated with such prop-
21 erty) located in the recovery zone, and

22 (B) public utility property (as defined in
23 section 168(i)(10) of such Code) located in the
24 recovery zone.

1 (e) SPECIAL RULES.—In applying the Internal Rev-
2 enue Code of 1986 to any qualified recovery zone bond,
3 the following modifications shall apply:

4 (1) Section 142(d)(1) of such Code (defining
5 qualified residential rental project) shall be ap-
6 plied—

7 (A) by substituting “60 percent” for “50
8 percent” in subparagraph (A) thereof, and

9 (B) by substituting “70 percent” for “60
10 percent” in subparagraph (B) thereof.

11 (2) Section 143 of such Code (relating to mort-
12 gage revenue bonds: qualified mortgage bond and
13 qualified veterans’ mortgage bond) shall be ap-
14 plied—

15 (A) only with respect to owner-occupied
16 residences in the recovery zone,

17 (B) by treating any such residence in the
18 recovery zone as a targeted area residence,

19 (C) by applying subsection (f)(3) thereof
20 without regard to subparagraph (A) thereof,
21 and

22 (D) by substituting “\$150,000” for
23 “\$15,000” in subsection (k)(4) thereof.

24 (3) Except as provided in section 143 of such
25 Code, repayments of principal on financing provided

1 by the issue of which such bond is a part may not
2 be used to provide financing.

3 (4) Section 146 of such Code (relating to vol-
4 ume cap) shall not apply.

5 (5) Section 147(d)(2) of such Code (relating to
6 acquisition of existing property not permitted) shall
7 be applied by substituting “50 percent” for “15 per-
8 cent” each place it appears.

9 (6) Section 148(f)(4)(C) of such Code (relating
10 to exception from rebate for certain proceeds to be
11 used to finance construction expenditures) shall
12 apply to the available construction proceeds of bonds
13 which are part of an issue described in subsection
14 (b)(1)(A).

15 (7) Section 57(a)(5) of such Code (relating to
16 tax-exempt interest) shall not apply.

17 (f) SEPARATE ISSUE TREATMENT OF PORTIONS OF
18 AN ISSUE.—This section shall not apply to the portion of
19 an issue which (if issued as a separate issue) would be
20 treated as a qualified bond (within the meaning of section
21 141 of the Internal Revenue Code of 1986) or as a bond
22 that is not a private activity bond (within the meaning
23 of such section 141 and determined without regard to sub-
24 section (a)), if the issuer elects to so treat such portion.

1 **SEC. 11. ADVANCE REFUNDINGS OF CERTAIN TAX-EXEMPT**
2 **BONDS.**

3 (a) **IN GENERAL.**—With respect to a bond described
4 in subsection (c), one additional advance refunding after
5 the date of the enactment of this Act and before January
6 1, 2016, shall be allowed under the applicable rules of sec-
7 tion 149(d) of the Internal Revenue Code of 1986 if—

8 (1) the Governor of the State designates the ad-
9 vance refunding bond for purposes of this sub-
10 section, and

11 (2) the requirements of subsection (e) are met.

12 (b) **CERTAIN PRIVATE ACTIVITY BONDS.**—With re-
13 spect to a bond described in subsection (c) which is an
14 exempt facility bond described in paragraph (1) or (2) of
15 section 142(a) of the Internal Revenue Code of 1986, one
16 advance refunding after the date of the enactment of this
17 Act and before January 1, 2016, shall be allowed under
18 the applicable rules of section 149(d) of such Code (not-
19 withstanding paragraph (2) thereof) if the requirements
20 of paragraphs (1) and (2) of subsection (a) are met.

21 (c) **BONDS DESCRIBED.**—A bond is described in this
22 subsection if such bond was outstanding on April 20,
23 2010, and is issued by the State of Florida, Alabama,
24 Louisiana, or Mississippi, or a political subdivision there-
25 of.

1 (d) AGGREGATE LIMIT.—The maximum aggregate
2 face amount of bonds which may be designated under this
3 section by the Governor of a State shall not exceed—

4 (1) \$4,500,000,000 in the case of the State of
5 Florida,

6 (2) \$4,500,000,000 in the case of the State of
7 Louisiana,

8 (3) \$4,500,000,000 in the case of the State of
9 Mississippi, and

10 (4) \$4,500,000,000 in the case of the State of
11 Alabama.

12 (e) ADDITIONAL REQUIREMENTS.—The require-
13 ments of this subsection are met with respect to any ad-
14 vance refunding of a bond described in subsection (c) if—

15 (1) no advance refundings of such bond would
16 be allowed under the Internal Revenue Code of 1986
17 on or after April 20, 2010,

18 (2) the advance refunding bond is the only
19 other outstanding bond with respect to the refunded
20 bond, and

21 (3) the requirements of section 148 of such
22 Code are met with respect to all bonds issued under
23 this subsection.

24 (f) USE OF PROCEEDS REQUIREMENT.—This section
25 shall not apply to any advance refunding of a bond which

1 is issued as part of an issue if any portion of the proceeds
2 of such issue (or any prior issue) was (or is to be) used
3 to provide any property described in section 144(c)(6)(B)
4 of the Internal Revenue Code of 1986.

5 **SEC. 12. DE MINIMUS SAFE HARBOR EXCEPTION FOR CER-**
6 **TAIN TAX-EXEMPT INTEREST EXPENSE OF FI-**
7 **NANCIAL INSTITUTIONS.**

8 (a) IN GENERAL.—For purposes of section
9 265(b)(2)(A) of the Internal Revenue Code of 1986, there
10 shall not be taken into account any qualified recovery zone
11 bond (as defined in section 10(b)) or any advanced refund-
12 ing bond issued pursuant to section 11.

13 (b) LIMITATION.—The amount of obligations not
14 taken into account under subsection (a) shall not exceed
15 the excess of—

16 (1) 2 percent of the amount determined under
17 paragraph (2)(B) of section 265(b) such Code, over

18 (2) any amount taken into account under para-
19 graph (7) of such section.

20 (c) TREATMENT AS FINANCIAL INSTITUTION PREF-
21 ERENCE ITEM.—The portion of any obligation not taken
22 into account under paragraph (2)(A) of section 265(b) of
23 the Internal Revenue Code of 1986 by reason of sub-

1 section (a) shall be treated for purposes of section 291
2 of such Code as having been acquired on August 7, 1986.

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