

AMENDMENT NO. _____ Calendar No. _____

Purpose: To provide for the concurrence by the Senate in the House amendment to the Senate amendments to H.R. 3997, with an amendment.

IN THE SENATE OF THE UNITED STATES—110th Cong., 1st Sess.

H. R. 3997

(title) _____

Referred to the Committee on _____ and ordered to be printed

Ordered to lie on the table and to be printed

AMENDMENT intended to be proposed by _____

Viz:

1 In lieu of the matter proposed to be inserted by the
2 amendment of the House to the amendment of the Senate,
3 insert the following:

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

5 (a) **SHORT TITLE.**—This Act may be cited as the
6 “Defenders of Freedom Tax Relief Act of 2007”.

7 (b) **REFERENCE.**—Except as otherwise expressly pro-
8 vided, whenever in this Act an amendment or repeal is
9 expressed in terms of an amendment to, or repeal of, a
10 section or other provision, the reference shall be consid-

1 ered to be made to a section or other provision of the In-
2 ternal Revenue Code of 1986.

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

Sec. 1. Short title, etc.

TITLE I—BENEFITS FOR MILITARY

- Sec. 101. Election to include combat pay as earned income for purposes of earned income tax credit.
- Sec. 102. Modification of mortgage revenue bonds for veterans.
- Sec. 103. Survivor and disability payments with respect to qualified military service.
- Sec. 104. Treatment of differential military pay as wages.
- Sec. 105. Special period of limitation when uniformed services retired pay is reduced as a result of award of disability compensation.
- Sec. 106. Distributions from retirement plans to individuals called to active duty.
- Sec. 107. Disclosure of return information relating to veterans programs made permanent.
- Sec. 108. Contributions of military death gratuities to Roth IRAs and Education Savings Accounts.
- Sec. 109. Suspension of 5-year period during service with the Peace Corps.
- Sec. 110. Credit for employer differential wage payments to employees who are active duty members of the uniformed services.
- Sec. 111. State payments to service members treated as qualified military benefits.
- Sec. 112. Permanent exclusion of gain from sale of a principal residence by certain employees of the intelligence community.
- Sec. 113. Special disposition rules for unused benefits in health flexible spending arrangements of individuals called to active duty.
- Sec. 114. Option to exclude military basic housing allowance for purposes of determining income eligibility under low-income housing credit and bond-financed residential rental projects.

TITLE II—REVENUE PROVISIONS

- Sec. 201. Increase in penalty for failure to file partnership returns.
- Sec. 202. Increase in penalty for failure to file S corporation returns.
- Sec. 203. Increase in minimum penalty on failure to file a return of tax.
- Sec. 204. Revision of tax rules on expatriation.
- Sec. 205. Special enrollment option by employer health plans for members of uniform services who lose health care coverage.

TITLE III—TAX TECHNICAL CORRECTIONS

- Sec. 301. Short title.
- Sec. 302. Amendment related to the Tax Relief and Health Care Act of 2006.
- Sec. 303. Amendments related to title XII of the Pension Protection Act of 2006.
- Sec. 304. Amendments related to the Tax Increase Prevention and Reconciliation Act of 2005.

- Sec. 305. Amendments related to the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users.
- Sec. 306. Amendments related to the Energy Policy Act of 2005.
- Sec. 307. Amendments related to the American Jobs Creation Act of 2004.
- Sec. 308. Amendments related to the Economic Growth and Tax Relief Reconciliation Act of 2001.
- Sec. 309. Amendments related to the Tax Relief Extension Act of 1999.
- Sec. 310. Amendment related to the Internal Revenue Service Restructuring and Reform Act of 1998.
- Sec. 311. Clerical corrections.

TITLE IV—PARITY IN APPLICATION OF CERTAIN LIMITS TO
MENTAL HEALTH BENEFITS

- Sec. 401. Parity in application of certain limits to mental health benefits.

1 **TITLE I—BENEFITS FOR**
2 **MILITARY**

3 **SEC. 101. ELECTION TO INCLUDE COMBAT PAY AS EARNED**
4 **INCOME FOR PURPOSES OF EARNED INCOME**
5 **TAX CREDIT.**

6 (a) IN GENERAL.—Clause (vi) of section 32(c)(2)(B)
7 (defining earned income) is amended to read as follows:

8 “(vi) a taxpayer may elect to treat
9 amounts excluded from gross income by
10 reason of section 112 as earned income.”.

11 (b) SUNSET NOT APPLICABLE.—Section 105 of the
12 Working Families Tax Relief Act of 2004 (relating to ap-
13 plication of EGTRRA sunset to this title) shall not apply
14 to section 104(b) of such Act.

15 (c) EFFECTIVE DATE.—The amendment made by
16 this section shall apply to taxable years ending after De-
17 cember 31, 2007.

1 **SEC. 102. MODIFICATION OF MORTGAGE REVENUE BONDS**
2 **FOR VETERANS.**

3 (a) QUALIFIED MORTGAGE BONDS USED TO FI-
4 NANCE RESIDENCES FOR VETERANS WITHOUT REGARD
5 TO FIRST-TIME HOMEBUYER REQUIREMENT.—Subpara-
6 graph (D) of section 143(d)(2) (relating to exceptions) is
7 amended by striking “and before January 1, 2008”.

8 (b) INCREASE IN BOND LIMITATION FOR ALASKA,
9 OREGON, AND WISCONSIN.—Clause (ii) of section
10 143(l)(3)(B) (relating to State veterans limit) is amended
11 by striking “\$25,000,000” each place it appears and in-
12 serting “\$100,000,000”.

13 (c) DEFINITION OF QUALIFIED VETERAN.—Para-
14 graph (4) of section 143(l) (defining qualified veteran) is
15 amended to read as follows:

16 “(4) QUALIFIED VETERAN.—For purposes of
17 this subsection, the term ‘qualified veteran’ means
18 any veteran who—

19 “(A) served on active duty, and

20 “(B) applied for the financing before the
21 date 25 years after the last date on which such
22 veteran left active service.”.

23 (d) EFFECTIVE DATE.—The amendments made by
24 this section shall apply to bonds issued after December
25 31, 2007.

1 **SEC. 103. SURVIVOR AND DISABILITY PAYMENTS WITH RE-**
2 **SPECT TO QUALIFIED MILITARY SERVICE.**

3 (a) PLAN QUALIFICATION REQUIREMENT FOR
4 DEATH BENEFITS UNDER USERRA-QUALIFIED ACTIVE
5 MILITARY SERVICE.—Subsection (a) of section 401 (relat-
6 ing to requirements for qualification) is amended by in-
7 serting after paragraph (36) the following new paragraph:

8 “(37) DEATH BENEFITS UNDER USERRA-QUALI-
9 FIED ACTIVE MILITARY SERVICE.—A trust shall not
10 constitute a qualified trust unless the plan provides
11 that, in the case of a participant who dies while per-
12 forming qualified military service (as defined in sec-
13 tion 414(u)), the survivors of the participant are en-
14 titled to any additional benefits (other than benefit
15 accruals relating to the period of qualified military
16 service) provided under the plan had the participant
17 resumed and then terminated employment on ac-
18 count of death.”.

19 (b) TREATMENT IN THE CASE OF DEATH OR DIS-
20 ABILITY RESULTING FROM ACTIVE MILITARY SERVICE
21 FOR BENEFIT ACCRUAL PURPOSES.—Subsection (u) of
22 section 414 (relating to special rules relating to veterans’
23 reemployment rights under USERRA) is amended by re-
24 designating paragraphs (9) and (10) as paragraphs (10)
25 and (11), respectively, and by inserting after paragraph
26 (8) the following new paragraph:

1 “(9) TREATMENT IN THE CASE OF DEATH OR
2 DISABILITY RESULTING FROM ACTIVE MILITARY
3 SERVICE.—

4 “(A) IN GENERAL.—For benefit accrual
5 purposes, an employer sponsoring a retirement
6 plan may treat an individual who dies or be-
7 comes disabled (as defined under the terms of
8 the plan) while performing qualified military
9 service with respect to the employer maintain-
10 ing the plan as if the individual has resumed
11 employment in accordance with the individual’s
12 reemployment rights under chapter 43 of title
13 38, United States Code, on the day preceding
14 death or disability (as the case may be) and ter-
15 minated employment on the actual date of
16 death or disability. In the case of any such
17 treatment, and subject to subparagraphs (B)
18 and (C), any full or partial compliance by such
19 plan with respect to the benefit accrual require-
20 ments of paragraph (8) with respect to such in-
21 dividual shall be treated for purposes of para-
22 graph (1) as if such compliance were required
23 under such chapter 43.

24 “(B) NONDISCRIMINATION REQUIRE-
25 MENT.—Subparagraph (A) shall apply only if

1 all individuals performing qualified military
2 service with respect to the employer maintain-
3 ing the plan (as determined under subsections
4 (b), (c), (m), and (o)) who die or became dis-
5 abled as a result of performing qualified mili-
6 tary service prior to reemployment by the em-
7 ployer are credited with service and benefits on
8 reasonably equivalent terms.

9 “(C) DETERMINATION OF BENEFITS.—The
10 amount of employee contributions and the
11 amount of elective deferrals of an individual
12 treated as reemployed under subparagraph (A)
13 for purposes of applying paragraph (8)(C) shall
14 be determined on the basis of the individual’s
15 average actual employee contributions or elec-
16 tive deferrals for the lesser of—

17 “(i) the 12-month period of service
18 with the employer immediately prior to
19 qualified military service, or

20 “(ii) if service with the employer is
21 less than such 12-month period, the actual
22 length of continuous service with the em-
23 ployer.”.

24 (c) CONFORMING AMENDMENTS.—

1 (1) Section 404(a)(2) is amended by striking
2 “and (31)” and inserting “(31), and (37)”.

3 (2) Section 403(b) is amended by adding at the
4 end the following new paragraph:

5 “(14) DEATH BENEFITS UNDER USERRA-QUALI-
6 FIED ACTIVE MILITARY SERVICE.—This subsection
7 shall not apply to an annuity contract unless such
8 contract meets the requirements of section
9 401(a)(37).”.

10 (3) Section 457(g) is amended by adding at the
11 end the following new paragraph:

12 “(4) DEATH BENEFITS UNDER USERRA-QUALI-
13 FIED ACTIVE MILITARY SERVICE.—A plan described
14 in paragraph (1) shall not be treated as an eligible
15 deferred compensation plan unless such plan meets
16 the requirements of section 401(a)(37).”.

17 (d) EFFECTIVE DATE.—

18 (1) IN GENERAL.—The amendments made by
19 this section shall apply with respect to deaths and
20 disabilities occurring on or after January 1, 2007.

21 (2) PROVISIONS RELATING TO PLAN AMEND-
22 MENTS.—

23 (A) IN GENERAL.—If this subparagraph
24 applies to any plan or contract amendment,
25 such plan or contract shall be treated as being

1 amendment were in effect for the pe-
2 riod described in clause (iii), and

3 (II) such plan or contract amend-
4 ment applies retroactively for such pe-
5 riod.

6 (iii) PERIOD DESCRIBED.—The period
7 described in this clause is the period—

8 (I) beginning on the effective
9 date specified by the plan, and

10 (II) ending on the date described
11 in clause (i)(II) (or, if earlier, the
12 date the plan or contract amendment
13 is adopted).

14 **SEC. 104. TREATMENT OF DIFFERENTIAL MILITARY PAY AS**
15 **WAGES.**

16 (a) INCOME TAX WITHHOLDING ON DIFFERENTIAL
17 WAGE PAYMENTS.—

18 (1) IN GENERAL.—Section 3401 (relating to
19 definitions) is amended by adding at the end the fol-
20 lowing new subsection:

21 “(h) DIFFERENTIAL WAGE PAYMENTS TO ACTIVE
22 DUTY MEMBERS OF THE UNIFORMED SERVICES.—

23 “(1) IN GENERAL.—For purposes of subsection
24 (a), any differential wage payment shall be treated

1 as a payment of wages by the employer to the em-
2 ployee.

3 “(2) DIFFERENTIAL WAGE PAYMENT.—For
4 purposes of paragraph (1), the term ‘differential
5 wage payment’ means any payment which—

6 “(A) is made by an employer to an indi-
7 vidual with respect to any period during which
8 the individual is performing service in the uni-
9 formed services (as defined in chapter 43 of
10 title 38, United States Code) while on active
11 duty for a period of more than 30 days, and

12 “(B) represents all or a portion of the
13 wages the individual would have received from
14 the employer if the individual were performing
15 service for the employer.”.

16 (2) EFFECTIVE DATE.—The amendment made
17 by this subsection shall apply to remuneration paid
18 after December 31, 2007.

19 (b) TREATMENT OF DIFFERENTIAL WAGE PAY-
20 MENTS FOR RETIREMENT PLAN PURPOSES.—

21 (1) PENSION PLANS.—

22 (A) IN GENERAL.—Section 414(u) (relat-
23 ing to special rules relating to veterans’ reem-
24 ployment rights under USERRA), as amended

1 by section 103(b), is amended by adding at the
2 end the following new paragraph:

3 “(12) TREATMENT OF DIFFERENTIAL WAGE
4 PAYMENTS.—

5 “(A) IN GENERAL.—Except as provided in
6 this paragraph, for purposes of applying this
7 title to a retirement plan to which this sub-
8 section applies—

9 “(i) an individual receiving a differen-
10 tial wage payment shall be treated as an
11 employee of the employer making the pay-
12 ment,

13 “(ii) the differential wage payment
14 shall be treated as compensation, and

15 “(iii) the plan shall not be treated as
16 failing to meet the requirements of any
17 provision described in paragraph (1)(C) by
18 reason of any contribution or benefit which
19 is based on the differential wage payment.

20 “(B) SPECIAL RULE FOR DISTRIBUTI-
21 TIONS.—

22 “(i) IN GENERAL.—Notwithstanding
23 subparagraph (A)(i), for purposes of sec-
24 tion 401(k)(2)(B)(i)(I), 403(b)(7)(A)(ii),
25 403(b)(11)(A), or 457(d)(1)(A)(ii), an in-

1 dividual shall be treated as having been
2 severed from employment during any pe-
3 riod the individual is performing service in
4 the uniformed services described in section
5 3401(h)(2)(A).

6 “(ii) LIMITATION.—If an individual
7 elects to receive a distribution by reason of
8 clause (i), the plan shall provide that the
9 individual may not make an elective defer-
10 ral or employee contribution during the 6-
11 month period beginning on the date of the
12 distribution.

13 “(C) NONDISCRIMINATION REQUIRE-
14 MENT.—Subparagraph (A)(iii) shall apply only
15 if all employees of an employer (as determined
16 under subsections (b), (c), (m), and (o)) per-
17 forming service in the uniformed services de-
18 scribed in section 3401(h)(2)(A) are entitled to
19 receive differential wage payments on reason-
20 ably equivalent terms and, if eligible to partici-
21 pate in a retirement plan maintained by the
22 employer, to make contributions based on the
23 payments on reasonably equivalent terms. For
24 purposes of applying this subparagraph, the

1 provisions of paragraphs (3), (4), and (5) of
2 section 410(b) shall apply.

3 “(D) DIFFERENTIAL WAGE PAYMENT.—
4 For purposes of this paragraph, the term ‘dif-
5 ferential wage payment’ has the meaning given
6 such term by section 3401(h)(2).”.

7 (B) CONFORMING AMENDMENT.—The
8 heading for section 414(u) is amended by in-
9 serting “AND TO DIFFERENTIAL WAGE PAY-
10 MENTS TO MEMBERS ON ACTIVE DUTY” after
11 “USERRA”.

12 (2) DIFFERENTIAL WAGE PAYMENTS TREATED
13 AS COMPENSATION FOR INDIVIDUAL RETIREMENT
14 PLANS.—Section 219(f)(1) (defining compensation)
15 is amended by adding at the end the following new
16 sentence: “The term compensation includes any dif-
17 ferential wage payment (as defined in section
18 3401(h)(2)).”.

19 (3) EFFECTIVE DATE.—The amendments made
20 by this subsection shall apply to years beginning
21 after December 31, 2007.

22 (c) PROVISIONS RELATING TO PLAN AMEND-
23 MENTS.—

24 (1) IN GENERAL.—If this subsection applies to
25 any plan or annuity contract amendment, such plan

1 or contract shall be treated as being operated in ac-
2 cordance with the terms of the plan or contract dur-
3 ing the period described in paragraph (2)(B)(i).

4 (2) AMENDMENTS TO WHICH SECTION AP-
5 PLIES.—

6 (A) IN GENERAL.—This subsection shall
7 apply to any amendment to any plan or annuity
8 contract which is made—

9 (i) pursuant to any amendment made
10 by subsection (b)(1), and

11 (ii) on or before the last day of the
12 first plan year beginning on or after Janu-
13 ary 1, 2009.

14 In the case of a governmental plan (as defined
15 in section 414(d) of the Internal Revenue Code
16 of 1986), this subparagraph shall be applied by
17 substituting “2011” for “2009” in clause (ii).

18 (B) CONDITIONS.—This subsection shall
19 not apply to any plan or annuity contract
20 amendment unless—

21 (i) during the period beginning on the
22 date the amendment described in subpara-
23 graph (A)(i) takes effect and ending on the
24 date described in subparagraph (A)(ii) (or,
25 if earlier, the date the plan or contract

1 amendment is adopted), the plan or con-
2 tract is operated as if such plan or con-
3 tract amendment were in effect, and

4 (ii) such plan or contract amendment
5 applies retroactively for such period.

6 **SEC. 105. SPECIAL PERIOD OF LIMITATION WHEN UNI-**
7 **FORMED SERVICES RETIRED PAY IS RE-**
8 **DUCE** **AS A RESULT OF AWARD OF DIS-**
9 **ABILITY COMPENSATION.**

10 (a) IN GENERAL.—Subsection (d) of section 6511
11 (relating to special rules applicable to income taxes) is
12 amended by adding at the end the following new para-
13 graph:

14 “(8) SPECIAL RULES WHEN UNIFORMED SERV-
15 ICES RETIRED PAY IS REDUCED AS A RESULT OF
16 AWARD OF DISABILITY COMPENSATION.—

17 “(A) PERIOD OF LIMITATION ON FILING
18 CLAIM.—If the claim for credit or refund re-
19 lates to an overpayment of tax imposed by sub-
20 title A on account of—

21 “(i) the reduction of uniformed serv-
22 ices retired pay computed under section
23 1406 or 1407 of title 10, United States
24 Code, or

1 “(ii) the waiver of such pay under sec-
2 tion 5305 of title 38 of such Code,
3 as a result of an award of compensation under
4 title 38 of such Code pursuant to a determina-
5 tion by the Secretary of Veterans Affairs, the 3-
6 year period of limitation prescribed in sub-
7 section (a) shall be extended, for purposes of
8 permitting a credit or refund based upon the
9 amount of such reduction or waiver, until the
10 end of the 1-year period beginning on the date
11 of such determination.

12 “(B) LIMITATION TO 5 TAXABLE YEARS.—
13 Subparagraph (A) shall not apply with respect
14 to any taxable year which began more than 5
15 years before the date of such determination.”.

16 (b) EFFECTIVE DATE.—The amendment made by
17 subsection (a) shall apply to claims for credit or refund
18 filed after the date of the enactment of this Act.

19 (c) TRANSITION RULES.—In the case of a determina-
20 tion described in paragraph (8) of section 6511(d) of the
21 Internal Revenue Code of 1986 (as added by this section)
22 which is made by the Secretary of Veterans Affairs after
23 December 31, 2000, and before the date of the enactment
24 of this Act, such paragraph—

1 (1) shall not apply with respect to any taxable
2 year which began before January 1, 2001, and

3 (2) shall be applied by substituting “the date of
4 the enactment of the Defenders of Freedom Tax Re-
5 lief Act of 2007” for “the date of such determina-
6 tion” in subparagraph (A) thereof.

7 **SEC. 106. DISTRIBUTIONS FROM RETIREMENT PLANS TO**
8 **INDIVIDUALS CALLED TO ACTIVE DUTY.**

9 (a) **IN GENERAL.**—Clause (iv) of section 72(t)(2)(G)
10 is amended by striking “, and before December 31, 2007”.

11 (b) **EFFECTIVE DATE.**—The amendment made by
12 this section shall apply to individuals ordered or called to
13 active duty on or after December 31, 2007.

14 **SEC. 107. DISCLOSURE OF RETURN INFORMATION RELAT-**
15 **ING TO VETERANS PROGRAMS MADE PERMA-**
16 **NENT.**

17 (a) **IN GENERAL.**—Subparagraph (D) of section
18 6103(l)(7) (relating to disclosure of return information to
19 Federal, State, and local agencies administering certain
20 programs under the Social Security Act, the Food Stamp
21 Act of 1977, or title 38, United States Code or certain
22 housing assistance programs) is amended by striking the
23 last sentence.

24 (b) **TECHNICAL AMENDMENT.**—Section
25 6103(l)(7)(D)(viii)(III) is amended by striking “sections

1 1710(a)(1)(I), 1710(a)(2), 1710(b), and 1712(a)(2)(B)”
2 and inserting “sections 1710(a)(2)(G), 1710(a)(3), and
3 1710(b)”.

4 **SEC. 108. CONTRIBUTIONS OF MILITARY DEATH GRATU-**
5 **ITIES TO ROTH IRAS AND EDUCATION SAV-**
6 **INGS ACCOUNTS.**

7 (a) PROVISION IN EFFECT BEFORE PENSION PRO-
8 TECTION ACT.—Subsection (e) of section 408A (relating
9 to qualified rollover contribution), as in effect before the
10 amendments made by section 824 of the Pension Protec-
11 tion Act of 2006, is amended to read as follows:

12 “(e) QUALIFIED ROLLOVER CONTRIBUTION.—For
13 purposes of this section—

14 “(1) IN GENERAL.—The term ‘qualified rollover
15 contribution’ means a rollover contribution to a Roth
16 IRA from another such account, or from an indi-
17 vidual retirement plan, but only if such rollover con-
18 tribution meets the requirements of section
19 408(d)(3). Such term includes a rollover contribu-
20 tion described in section 402A(c)(3)(A). For pur-
21 poses of section 408(d)(3)(B), there shall be dis-
22 regarded any qualified rollover contribution from an
23 individual retirement plan (other than a Roth IRA)
24 to a Roth IRA.

25 “(2) MILITARY DEATH GRATUITY.—

1 “(A) IN GENERAL.—The term ‘qualified
2 rollover contribution’ includes a contribution to
3 a Roth IRA maintained for the benefit of an in-
4 dividual made before the end of the 1-year pe-
5 riod beginning on the date on which such indi-
6 vidual receives an amount under section 1477
7 of title 10, United States Code, or section 1967
8 of title 38 of such Code, with respect to a per-
9 son, to the extent that such contribution does
10 not exceed—

11 “(i) the sum of the amounts received
12 during such period by such individual
13 under such sections with respect to such
14 person, reduced by

15 “(ii) the amounts so received which
16 were contributed to a Coverdell education
17 savings account under section 530(d)(9).

18 “(B) ANNUAL LIMIT ON NUMBER OF
19 ROLLOVERS NOT TO APPLY.—Section
20 408(d)(3)(B) shall not apply with respect to
21 amounts treated as a rollover by subparagraph
22 (A).

23 “(C) APPLICATION OF SECTION 72.—For
24 purposes of applying section 72 in the case of
25 a distribution which is not a qualified distribu-

1 tion, the amount treated as a rollover by reason
2 of subparagraph (A) shall be treated as invest-
3 ment in the contract.”.

4 (b) PROVISION IN EFFECT AFTER PENSION PROTEC-
5 TION ACT.—Subsection (e) of section 408A, as in effect
6 after the amendments made by section 824 of the Pension
7 Protection Act of 2006, is amended to read as follows:

8 “(e) QUALIFIED ROLLOVER CONTRIBUTION.—For
9 purposes of this section—

10 “(1) IN GENERAL.—The term ‘qualified rollover
11 contribution’ means a rollover contribution—

12 “(A) to a Roth IRA from another such ac-
13 count,

14 “(B) from an eligible retirement plan, but
15 only if—

16 “(i) in the case of an individual retire-
17 ment plan, such rollover contribution meets
18 the requirements of section 408(d)(3), and

19 “(ii) in the case of any eligible retire-
20 ment plan (as defined in section
21 402(c)(8)(B) other than clauses (i) and (ii)
22 thereof), such rollover contribution meets
23 the requirements of section 402(c),
24 403(b)(8), or 457(e)(16), as applicable.

1 For purposes of section 408(d)(3)(B), there
2 shall be disregarded any qualified rollover con-
3 tribution from an individual retirement plan
4 (other than a Roth IRA) to a Roth IRA.

5 “(2) MILITARY DEATH GRATUITY.—

6 “(A) IN GENERAL.—The term ‘qualified
7 rollover contribution’ includes a contribution to
8 a Roth IRA maintained for the benefit of an in-
9 dividual made before the end of the 1-year pe-
10 riod beginning on the date on which such indi-
11 vidual receives an amount under section 1477
12 of title 10, United States Code, or section 1967
13 of title 38 of such Code, with respect to a per-
14 son, to the extent that such contribution does
15 not exceed—

16 “(i) the sum of the amounts received
17 during such period by such individual
18 under such sections with respect to such
19 person, reduced by

20 “(ii) the amounts so received which
21 were contributed to a Coverdell education
22 savings account under section 530(d)(9).

23 “(B) ANNUAL LIMIT ON NUMBER OF
24 ROLLOVERS NOT TO APPLY.—Section
25 408(d)(3)(B) shall not apply with respect to

1 amounts treated as a rollover by the subpara-
2 graph (A).

3 “(C) APPLICATION OF SECTION 72.—For
4 purposes of applying section 72 in the case of
5 a distribution which is not a qualified distribu-
6 tion, the amount treated as a rollover by reason
7 of subparagraph (A) shall be treated as invest-
8 ment in the contract.”.

9 (c) EDUCATION SAVINGS ACCOUNTS.—Subsection
10 (d) of section 530 is amended by adding at the end the
11 following new paragraph:

12 “(9) MILITARY DEATH GRATUITY.—

13 “(A) IN GENERAL.—For purposes of this
14 section, the term ‘rollover contribution’ includes
15 a contribution to a Coverdell education savings
16 account made before the end of the 1-year pe-
17 riod beginning on the date on which the con-
18 tributor receives an amount under section 1477
19 of title 10, United States Code, or section 1967
20 of title 38 of such Code, with respect to a per-
21 son, to the extent that such contribution does
22 not exceed—

23 “(i) the sum of the amounts received
24 during such period by such contributor

1 under such sections with respect to such
2 person, reduced by

3 “(ii) the amounts so received which
4 were contributed to a Roth IRA under sec-
5 tion 408A(e)(2) or to another Coverdell
6 education savings account.

7 “(B) ANNUAL LIMIT ON NUMBER OF
8 ROLLOVERS NOT TO APPLY.—The last sentence
9 of paragraph (5) shall not apply with respect to
10 amounts treated as a rollover by the subpara-
11 graph (A).

12 “(C) APPLICATION OF SECTION 72.—For
13 purposes of applying section 72 in the case of
14 a distribution which is includible in gross in-
15 come under paragraph (1), the amount treated
16 as a rollover by reason of subparagraph (A)
17 shall be treated as investment in the contract.”.

18 (d) EFFECTIVE DATES.—

19 (1) IN GENERAL.—Except as provided by para-
20 graphs (2) and (3), the amendments made by this
21 section shall apply with respect to deaths from inju-
22 ries occurring on or after the date of the enactment
23 of this Act.

24 (2) APPLICATION OF AMENDMENTS TO DEATHS
25 FROM INJURIES OCCURRING ON OR AFTER OCTOBER

1 7, 2001, AND BEFORE ENACTMENT.—The amend-
2 ments made by this section shall apply to any con-
3 tribution made pursuant to section 408A(e)(2) or
4 530(d)(5) of the Internal Revenue Code of 1986, as
5 amended by this Act, with respect to amounts re-
6 ceived under section 1477 of title 10, United States
7 Code, or under section 1967 of title 38 of such
8 Code, for deaths from injuries occurring on or after
9 October 7, 2001, and before the date of the enact-
10 ment of this Act if such contribution is made not
11 later than 1 year after the date of the enactment of
12 this Act.

13 (3) PENSION PROTECTION ACT CHANGES.—Sec-
14 tion 408A(e)(1) of the Internal Revenue Code of
15 1986 (as in effect after the amendments made by
16 subsection (b)) shall apply to taxable years begin-
17 ning after December 31, 2007.

18 **SEC. 109. SUSPENSION OF 5-YEAR PERIOD DURING SERV-**
19 **ICE WITH THE PEACE CORPS.**

20 (a) IN GENERAL.—Subsection (d) of section 121 (re-
21 lating to special rules) is amended by adding at the end
22 the following new paragraph:

23 “(12) PEACE CORPS.—

24 “(A) IN GENERAL.—At the election of an
25 individual with respect to a property, the run-

1 ning of the 5-year period described in sub-
2 sections (a) and (c)(1)(B) and paragraph (7) of
3 this subsection with respect to such property
4 shall be suspended during any period that such
5 individual or such individual's spouse is serving
6 outside the United States—

7 “(i) on qualified official extended duty
8 (as defined in paragraph (9)(C)) as an em-
9 ployee of the Peace Corps, or

10 “(ii) as an enrolled volunteer or volun-
11 teer leader under section 5 or 6 (as the
12 case may be) of the Peace Corps Act (22
13 U.S.C. 2504, 2505).

14 “(B) APPLICABLE RULES.—For purposes
15 of subparagraph (A), rules similar to the rules
16 of subparagraphs (B) and (D) shall apply.”.

17 (b) EFFECTIVE DATE.—The amendment made by
18 subsection (a) shall apply to taxable years beginning after
19 December 31, 2007.

1 **SEC. 110. CREDIT FOR EMPLOYER DIFFERENTIAL WAGE**
2 **PAYMENTS TO EMPLOYEES WHO ARE ACTIVE**
3 **DUTY MEMBERS OF THE UNIFORMED SERV-**
4 **ICES.**

5 (a) IN GENERAL.—Subpart D of part IV of sub-
6 chapter A of chapter 1 (relating to business credits) is
7 amended by adding at the end the following new section:

8 **“SEC. 450. EMPLOYER WAGE CREDIT FOR EMPLOYEES WHO**
9 **ARE ACTIVE DUTY MEMBERS OF THE UNI-**
10 **FORMED SERVICES.**

11 “(a) GENERAL RULE.—For purposes of section 38,
12 in the case of an eligible small business employer, the dif-
13 ferential wage payment credit for any taxable year is an
14 amount equal to 20 percent of the sum of the eligible dif-
15 ferential wage payments for each of the qualified employ-
16 ees of the taxpayer during such taxable year.

17 “(b) DEFINITIONS.—For purposes of this section—

18 “(1) ELIGIBLE DIFFERENTIAL WAGE PAY-
19 MENTS.—The term ‘eligible differential wage pay-
20 ments’ means, with respect to each qualified em-
21 ployee, so much of the differential wage payments
22 (as defined in section 3401(h)(2)) paid to such em-
23 ployee for the taxable year as does not exceed
24 \$20,000.

25 “(2) QUALIFIED EMPLOYEE.—The term ‘quali-
26 fied employee’ means a person who has been an em-

1 ployee of the taxpayer for the 91-day period imme-
2 diately preceding the period for which any differen-
3 tial wage payment is made.

4 “(3) ELIGIBLE SMALL BUSINESS EMPLOYER.—

5 “(A) IN GENERAL.—The term ‘eligible
6 small business employer’ means, with respect to
7 any taxable year, any employer which—

8 “(i) employed an average of less than
9 50 employees on business days during such
10 taxable year, and

11 “(ii) under a written plan of the em-
12 ployer, provides eligible differential wage
13 payments to every qualified employee of
14 the employer.

15 “(B) CONTROLLED GROUPS.—For pur-
16 poses of subparagraph (A), all persons treated
17 as a single employer under subsection (b), (c),
18 (m), or (o) of section 414 shall be treated as a
19 single employer.

20 “(c) COORDINATION WITH OTHER CREDITS.—The
21 amount of credit otherwise allowable under this chapter
22 with respect to compensation paid to any employee shall
23 be reduced by the credit determined under this section
24 with respect to such employee.

1 “(d) DISALLOWANCE FOR FAILURE TO COMPLY
2 WITH EMPLOYMENT OR REEMPLOYMENT RIGHTS OF
3 MEMBERS OF THE RESERVE COMPONENTS OF THE
4 ARMED FORCES OF THE UNITED STATES.—No credit
5 shall be allowed under subsection (a) to a taxpayer for—

6 “(1) any taxable year, beginning after the date
7 of the enactment of this section, in which the tax-
8 payer is under a final order, judgment, or other
9 process issued or required by a district court of the
10 United States under section 4323 of title 38 of the
11 United States Code with respect to a violation of
12 chapter 43 of such title, and

13 “(2) the 2 succeeding taxable years.

14 “(e) CERTAIN RULES TO APPLY.—For purposes of
15 this section, rules similar to the rules of subsections (c),
16 (d), and (e) of section 52 shall apply.

17 “(f) TERMINATION.—This section shall not apply to
18 any payments made after December 31, 2009.”.

19 (b) CREDIT TREATED AS PART OF GENERAL BUSI-
20 NESS CREDIT.—Section 38(b) (relating to general busi-
21 ness credit) is amended by striking “plus” at the end of
22 paragraph (30), by striking the period at the end of para-
23 graph (31) and inserting “, plus”, and by adding at the
24 end of following new paragraph:

1 “(32) the differential wage payment credit de-
2 termined under section 45O(a).”.

3 (c) NO DEDUCTION FOR COMPENSATION TAKEN
4 INTO ACCOUNT FOR CREDIT.—Section 280C(a) (relating
5 to rule for employment credits) is amended by inserting
6 “45O(a),” after “45A(a),”.

7 (d) CLERICAL AMENDMENT.—The table of sections
8 for subpart D of part IV of subchapter A of chapter 1
9 is amended by adding at the end the following new item:

 “Sec. 45O. Employer wage credit for employees who are active duty members
 of the uniformed services.”.

10 (e) EFFECTIVE DATE.—The amendments made by
11 this section shall apply to amounts paid after the date of
12 the enactment of this Act.

13 **SEC. 111. STATE PAYMENTS TO SERVICE MEMBERS TREAT-**
14 **ED AS QUALIFIED MILITARY BENEFITS.**

15 (a) IN GENERAL.—Section 134(b) (defining qualified
16 military benefit) is amended by adding at the end the fol-
17 lowing new paragraph:

18 “(6) CERTAIN STATE PAYMENTS.—The term
19 ‘qualified military benefit’ includes any bonus pay-
20 ment by a State or political subdivision thereof to
21 any member or former member of the uniformed
22 services of the United States or any dependent of
23 such member only by reason of such member’s serv-
24 ice in an combat zone (as defined in section

1 112(c)(2), determined without regard to the par-
2 enthetical).”.

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

6 **SEC. 112. PERMANENT EXCLUSION OF GAIN FROM SALE OF**
7 **A PRINCIPAL RESIDENCE BY CERTAIN EM-**
8 **PLOYEES OF THE INTELLIGENCE COMMU-**
9 **NITY.**

10 (a) PERMANENT EXCLUSION.—

11 (1) IN GENERAL.—Section 417(e) of division A
12 of the Tax Relief and Health Care Act of 2006 is
13 amended by striking “and before January 1, 2011”.

14 (2) EFFECTIVE DATE.—The amendment made
15 by this subsection shall apply to sales or exchanges
16 after December 31, 2010.

17 (b) DUTY STATION MAY BE INSIDE UNITED
18 STATES.—

19 (1) IN GENERAL.—Section 121(d)(9)(C) (defin-
20 ing qualified official extended duty) is amended by
21 striking clause (vi).

22 (2) EFFECTIVE DATE.—The amendment made
23 by this subsection shall apply to sales or exchanges
24 after the date of the enactment of this Act.

1 **SEC. 113. SPECIAL DISPOSITION RULES FOR UNUSED BENE-**
2 **FITS IN HEALTH FLEXIBLE SPENDING AR-**
3 **RANGEMENTS OF INDIVIDUALS CALLED TO**
4 **ACTIVE DUTY.**

5 (a) IN GENERAL.—Section 125 (relating to cafeteria
6 plans) is amended by redesignating subsections (h) and
7 (i) as subsection (i) and (j), respectively, and by inserting
8 after subsection (g) the following new subsection:

9 “(h) SPECIAL RULE FOR UNUSED BENEFITS IN
10 HEALTH FLEXIBLE SPENDING ARRANGEMENTS OF INDI-
11 VIDUALS CALLED TO ACTIVE DUTY.—

12 “(1) IN GENERAL.—For purposes of this title,
13 a plan or other arrangement shall not fail to be
14 treated as a cafeteria plan or health flexible spend-
15 ing arrangement merely because such arrangement
16 provides for qualified reservist distributions.

17 “(2) QUALIFIED RESERVIST DISTRIBUTION.—
18 For purposes of this subsection, the term ‘qualified
19 reservist distribution’ means, any distribution to an
20 individual of all or a portion of the balance in the
21 employee’s account under such arrangement if—

22 “(A) such individual was (by reason of
23 being a member of a reserve component (as de-
24 fined in section 101 of title 37, United States
25 Code)) ordered or called to active duty for a pe-

1 States Code, as a basic pay allowance for
2 housing shall be disregarded if the project
3 is located in a census tract which is des-
4 ignated by the Governor (of the State in
5 which such tract is located) as being in
6 need of housing for members of the Armed
7 Forces of the United States.”.

8 (b) EFFECTIVE DATE.—The amendment made by
9 this section shall take effect with respect to determinations
10 made after the date of the enactment of this Act.

11 **TITLE II—REVENUE PROVISIONS**

12 **SEC. 201. INCREASE IN PENALTY FOR FAILURE TO FILE** 13 **PARTNERSHIP RETURNS.**

14 (a) INCREASE IN PENALTY AMOUNT.—Paragraph (1)
15 of section 6698(b) (relating to amount per month), as
16 amended by section 8 of the Mortgage Forgiveness Debt
17 Relief Act of 2007, is amended by striking “\$85” and in-
18 serting “\$100”.

19 (b) EFFECTIVE DATE.—The amendment made by
20 subsection (a) shall take effect as if included in the
21 amendments made by section 8 of the Mortgage Forgive-
22 ness Debt Relief Act of 2007.

1 **SEC. 202. INCREASE IN PENALTY FOR FAILURE TO FILE S**
2 **CORPORATION RETURNS.**

3 (a) IN GENERAL.—Paragraph (1) of section 6699(b)
4 (relating to amount per month), as added to the Internal
5 Revenue Code of 1986 by section 9 of the Mortgage For-
6 giveness Debt Relief Act of 2007, is amended by striking
7 “\$85” and inserting “\$100”.

8 (b) EFFECTIVE DATE.—The amendment made by
9 subsection (a) shall take effect as if included in the
10 amendments made by section 9 of the Mortgage Forgive-
11 ness Debt Relief Act of 2007.

12 **SEC. 203. INCREASE IN MINIMUM PENALTY ON FAILURE TO**
13 **FILE A RETURN OF TAX.**

14 (a) IN GENERAL.—Subsection (a) of section 6651 is
15 amended by striking “\$100” in the last sentence and in-
16 serting “\$225”.

17 (b) EFFECTIVE DATE.—The amendment made by
18 this section shall apply to returns the due date for the
19 filing of which (including extensions) is after December
20 31, 2007.

21 **SEC. 204. REVISION OF TAX RULES ON EXPATRIATION.**

22 (a) IN GENERAL.—Subpart A of part II of sub-
23 chapter N of chapter 1 is amended by inserting after sec-
24 tion 877 the following new section:

1 **“SEC. 877A. TAX RESPONSIBILITIES OF EXPATRIATION.**

2 “(a) GENERAL RULES.—For purposes of this sub-
3 title—

4 “(1) MARK TO MARKET.—All property of a cov-
5 ered expatriate shall be treated as sold on the day
6 before the expatriation date for its fair market
7 value.

8 “(2) RECOGNITION OF GAIN OR LOSS.—In the
9 case of any sale under paragraph (1)—

10 “(A) notwithstanding any other provision
11 of this title, any gain arising from such sale
12 shall be taken into account for the taxable year
13 of the sale, and

14 “(B) any loss arising from such sale shall
15 be taken into account for the taxable year of
16 the sale to the extent otherwise provided by this
17 title, except that section 1091 shall not apply to
18 any such loss.

19 Proper adjustment shall be made in the amount of
20 any gain or loss subsequently realized for gain or
21 loss taken into account under the preceding sen-
22 tence, determined without regard to paragraph (3).

23 “(3) EXCLUSION FOR CERTAIN GAIN.—

24 “(A) IN GENERAL.—The amount which
25 would (but for this paragraph) be includible in
26 the gross income of any individual by reason of

1 paragraph (1) shall be reduced (but not below
2 zero) by \$600,000.

3 “(B) ADJUSTMENT FOR INFLATION.—

4 “(i) IN GENERAL.—In the case of any
5 taxable year beginning in a calendar year
6 after 2008, the dollar amount in subpara-
7 graph (A) shall be increased by an amount
8 equal to—

9 “(I) such dollar amount, multi-
10 plied by

11 “(II) the cost-of-living adjust-
12 ment determined under section 1(f)(3)
13 for the calendar year in which the tax-
14 able year begins, by substituting ‘cal-
15 endar year 2007’ for ‘calendar year
16 1992’ in subparagraph (B) thereof.

17 “(ii) ROUNDING.—If any amount as
18 adjusted under clause (i) is not a multiple
19 of \$1,000, such amount shall be rounded
20 to the nearest multiple of \$1,000.

21 “(b) ELECTION TO DEFER TAX.—

22 “(1) IN GENERAL.—If the taxpayer elects the
23 application of this subsection with respect to any
24 property treated as sold by reason of subsection (a),
25 the time for payment of the additional tax attrib-

1 utable to such property shall be extended until the
2 due date of the return for the taxable year in which
3 such property is disposed of (or, in the case of prop-
4 erty disposed of in a transaction in which gain is not
5 recognized in whole or in part, until such other date
6 as the Secretary may prescribe).

7 “(2) DETERMINATION OF TAX WITH RESPECT
8 TO PROPERTY.—For purposes of paragraph (1), the
9 additional tax attributable to any property is an
10 amount which bears the same ratio to the additional
11 tax imposed by this chapter for the taxable year
12 solely by reason of subsection (a) as the gain taken
13 into account under subsection (a) with respect to
14 such property bears to the total gain taken into ac-
15 count under subsection (a) with respect to all prop-
16 erty to which subsection (a) applies.

17 “(3) TERMINATION OF EXTENSION.—The due
18 date for payment of tax may not be extended under
19 this subsection later than the due date for the re-
20 turn of tax imposed by this chapter for the taxable
21 year which includes the date of death of the expa-
22 triate (or, if earlier, the time that the security pro-
23 vided with respect to the property fails to meet the
24 requirements of paragraph (4), unless the taxpayer

1 corrects such failure within the time specified by the
2 Secretary).

3 “(4) SECURITY.—

4 “(A) IN GENERAL.—No election may be
5 made under paragraph (1) with respect to any
6 property unless adequate security is provided
7 with respect to such property.

8 “(B) ADEQUATE SECURITY.—For purposes
9 of subparagraph (A), security with respect to
10 any property shall be treated as adequate secu-
11 rity if—

12 “(i) it is a bond which is furnished to,
13 and accepted by, the Secretary, which is
14 conditioned on the payment of tax (and in-
15 terest thereon), and which meets the re-
16 quirements of section 6325, or

17 “(ii) it is another form of security for
18 such payment (including letters of credit)
19 that meets such requirements as the Sec-
20 retary may prescribe.

21 “(5) WAIVER OF CERTAIN RIGHTS.—No elec-
22 tion may be made under paragraph (1) unless the
23 taxpayer makes an irrevocable waiver of any right
24 under any treaty of the United States which would

1 preclude assessment or collection of any tax imposed
2 by reason of this section.

3 “(6) ELECTIONS.—An election under paragraph
4 (1) shall only apply to property described in the elec-
5 tion and, once made, is irrevocable.

6 “(7) INTEREST.—For purposes of section 6601,
7 the last date for the payment of tax shall be deter-
8 mined without regard to the election under this sub-
9 section.

10 “(c) EXCEPTION FOR CERTAIN PROPERTY.—Sub-
11 section (a) shall not apply to—

12 “(1) any deferred compensation item (as de-
13 fined in subsection (d)(4)),

14 “(2) any specified tax deferred account (as de-
15 fined in subsection (e)(2)), and

16 “(3) any interest in a nongrantor trust (as de-
17 fined in subsection (f)(3)).

18 “(d) TREATMENT OF DEFERRED COMPENSATION
19 ITEMS.—

20 “(1) WITHHOLDING ON ELIGIBLE DEFERRED
21 COMPENSATION ITEMS.—

22 “(A) IN GENERAL.—In the case of any eli-
23 gible deferred compensation item, the payor
24 shall deduct and withhold from any taxable

1 payment to a covered expatriate with respect to
2 such item a tax equal to 30 percent thereof.

3 “(B) TAXABLE PAYMENT.—For purposes
4 of subparagraph (A), the term ‘taxable pay-
5 ment’ means with respect to a covered expa-
6 triate any payment to the extent it would be in-
7 cludible in the gross income of the covered ex-
8 patriate if such expatriate continued to be sub-
9 ject to tax as a citizen or resident of the United
10 States. A deferred compensation item shall be
11 taken into account as a payment under the pre-
12 ceding sentence when such item would be so in-
13 cludible.

14 “(2) OTHER DEFERRED COMPENSATION
15 ITEMS.—In the case of any deferred compensation
16 item which is not an eligible deferred compensation
17 item—

18 “(A)(i) with respect to any deferred com-
19 pensation item to which clause (ii) does not
20 apply, an amount equal to the present value of
21 the covered expatriate’s accrued benefit shall be
22 treated as having been received by such indi-
23 vidual on the day before the expatriation date
24 as a distribution under the plan, and

1 “(ii) with respect to any deferred com-
2 pensation item referred to in paragraph (4)(D),
3 the rights of the covered expatriate to such item
4 shall be treated as becoming transferable and
5 not subject to a substantial risk of forfeiture on
6 the day before the expatriation date,

7 “(B) no early distribution tax shall apply
8 by reason of such treatment, and

9 “(C) appropriate adjustments shall be
10 made to subsequent distributions from the plan
11 to reflect such treatment.

12 “(3) ELIGIBLE DEFERRED COMPENSATION
13 ITEMS.—For purposes of this subsection, the term
14 ‘eligible deferred compensation item’ means any de-
15 ferred compensation item with respect to which—

16 “(A) the payor of such item is—

17 “(i) a United States person, or

18 “(ii) a person who is not a United
19 States person but who elects to be treated
20 as a United States person for purposes of
21 paragraph (1) and meets such require-
22 ments as the Secretary may provide to en-
23 sure that the payor will meet the require-
24 ments of paragraph (1), and

25 “(B) the covered expatriate—

1 “(i) notifies the payor of his status as
2 a covered expatriate, and

3 “(ii) makes an irrevocable waiver of
4 any right to claim any reduction under any
5 treaty with the United States in with-
6 holding on such item.

7 “(4) DEFERRED COMPENSATION ITEM.—For
8 purposes of this subsection, the term ‘deferred com-
9 pensation item’ means—

10 “(A) any interest in a plan or arrangement
11 described in section 219(g)(5),

12 “(B) any interest in a foreign pension plan
13 or similar retirement arrangement or program,

14 “(C) any item of deferred compensation,
15 and

16 “(D) any property, or right to property,
17 which the individual is entitled to receive in
18 connection with the performance of services to
19 the extent not previously taken into account
20 under section 83 or in accordance with section
21 83.

22 “(5) EXCEPTION.—Paragraphs (1) and (2)
23 shall not apply to any deferred compensation item
24 which is attributable to services performed outside

1 the United States while the covered expatriate was
2 not a citizen or resident of the United States.

3 “(6) SPECIAL RULES.—

4 “(A) APPLICATION OF WITHHOLDING
5 RULES.—Rules similar to the rules of sub-
6 chapter B of chapter 3 shall apply for purposes
7 of this subsection.

8 “(B) APPLICATION OF TAX.—Any item
9 subject to the withholding tax imposed under
10 paragraph (1) shall be subject to tax under sec-
11 tion 871.

12 “(C) COORDINATION WITH OTHER WITH-
13 HOLDING REQUIREMENTS.—Any item subject to
14 withholding under paragraph (1) shall not be
15 subject to withholding under section 1441 or
16 chapter 24.

17 “(e) TREATMENT OF SPECIFIED TAX DEFERRED AC-
18 COUNTS.—

19 “(1) ACCOUNT TREATED AS DISTRIBUTED.—In
20 the case of any interest in a specified tax deferred
21 account held by a covered expatriate on the day be-
22 fore the expatriation date—

23 “(A) the covered expatriate shall be treat-
24 ed as receiving a distribution of his entire inter-

1 est in such account on the day before the expa-
2 triation date,

3 “(B) no early distribution tax shall apply
4 by reason of such treatment, and

5 “(C) appropriate adjustments shall be
6 made to subsequent distributions from the ac-
7 count to reflect such treatment.

8 “(2) SPECIFIED TAX DEFERRED ACCOUNT.—

9 For purposes of paragraph (1), the term ‘specified
10 tax deferred account’ means an individual retirement
11 plan (as defined in section 7701(a)(37)) other than
12 any arrangement described in subsection (k) or (p)
13 of section 408, a qualified tuition program (as de-
14 fined in section 529), a Coverdell education savings
15 account (as defined in section 530), a health savings
16 account (as defined in section 223), and an Archer
17 MSA (as defined in section 220).

18 “(f) SPECIAL RULES FOR NONGRANTOR TRUSTS.—

19 “(1) IN GENERAL.—In the case of a distribu-
20 tion (directly or indirectly) of any property from a
21 nongrantor trust to a covered expatriate—

22 “(A) the trustee shall deduct and withhold
23 from such distribution an amount equal to 30
24 percent of the taxable portion of the distribu-
25 tion, and

1 “(B) if the fair market value of such prop-
2 erty exceeds its adjusted basis in the hands of
3 the trust, gain shall be recognized to the trust
4 as if such property were sold to the expatriate
5 at its fair market value.

6 “(2) TAXABLE PORTION.—For purposes of this
7 subsection, the term ‘taxable portion’ means, with
8 respect to any distribution, that portion of the dis-
9 tribution which would be includible in the gross in-
10 come of the covered expatriate if such expatriate
11 continued to be subject to tax as a citizen or resi-
12 dent of the United States.

13 “(3) NONGRANTOR TRUST.—For purposes of
14 this subsection, the term ‘nongrantor trust’ means
15 the portion of any trust that the individual is not
16 considered the owner of under subpart E of part I
17 of subchapter J. The determination under the pre-
18 ceding sentence shall be made immediately before
19 the expatriation date.

20 “(4) SPECIAL RULES RELATING TO WITH-
21 HOLDING.—For purposes of this subsection—

22 “(A) rules similar to the rules of sub-
23 section (d)(6) shall apply, and

24 “(B) the covered expatriate shall be treat-
25 ed as having waived any right to claim any re-

1 duction under any treaty with the United
2 States in withholding on any distribution to
3 which paragraph (1)(A) applies unless the cov-
4 ered expatriate agrees to such other treatment
5 as the Secretary determines appropriate.

6 “(5) APPLICATION.—This subsection shall
7 apply to a nongrantor trust only if the covered expa-
8 triate was a beneficiary of the trust on the day be-
9 fore the expatriation date.

10 “(g) DEFINITIONS AND SPECIAL RULES RELATING
11 TO EXPATRIATION.—For purposes of this section—

12 “(1) COVERED EXPATRIATE.—

13 “(A) IN GENERAL.—The term ‘covered ex-
14 patriate’ means an expatriate who meets the re-
15 quirements of subparagraph (A), (B), or (C) of
16 section 877(a)(2).

17 “(B) EXCEPTIONS.—An individual shall
18 not be treated as meeting the requirements of
19 subparagraph (A) or (B) of section 877(a)(2)
20 if—

21 “(i) the individual—

22 “(I) became at birth a citizen of
23 the United States and a citizen of an-
24 other country and, as of the expatria-
25 tion date, continues to be a citizen of,

1 and is taxed as a resident of, such
2 other country, and

3 “(II) has been a resident of the
4 United States (as defined in section
5 7701(b)(1)(A)(ii)) for not more than
6 10 taxable years during the 15-tax-
7 able year period ending with the tax-
8 able year during which the expatria-
9 tion date occurs, or

10 “(ii)(I) the individual’s relinquishment
11 of United States citizenship occurs before
12 such individual attains age 18½, and

13 “(II) the individual has been a resi-
14 dent of the United States (as so defined)
15 for not more than 10 taxable years before
16 the date of relinquishment.

17 “(C) COVERED EXPATRIATES ALSO SUB-
18 JECT TO TAX AS CITIZENS OR RESIDENTS.—In
19 the case of any covered expatriate who is sub-
20 ject to tax as a citizen or resident of the United
21 States for any period beginning after the expa-
22 triation date, such individual shall not be treat-
23 ed as a covered expatriate during such period
24 for purposes of subsections (d)(1) and (f) and
25 section 2801.

1 “(2) EXPATRIATE.—The term ‘expatriate’
2 means—

3 “(A) any United States citizen who relin-
4 quishes his citizenship, and

5 “(B) any long-term resident of the United
6 States who ceases to be a lawful permanent
7 resident of the United States (within the mean-
8 ing of section 7701(b)(6)).

9 “(3) EXPATRIATION DATE.—The term ‘expa-
10 triation date’ means—

11 “(A) the date an individual relinquishes
12 United States citizenship, or

13 “(B) in the case of a long-term resident of
14 the United States, the date on which the indi-
15 vidual ceases to be a lawful permanent resident
16 of the United States (within the meaning of
17 section 7701(b)(6)).

18 “(4) RELINQUISHMENT OF CITIZENSHIP.—A
19 citizen shall be treated as relinquishing his United
20 States citizenship on the earliest of—

21 “(A) the date the individual renounces his
22 United States nationality before a diplomatic or
23 consular officer of the United States pursuant
24 to paragraph (5) of section 349(a) of the Immi-

1 gration and Nationality Act (8 U.S.C.
2 1481(a)(5)),

3 “(B) the date the individual furnishes to
4 the United States Department of State a signed
5 statement of voluntary relinquishment of
6 United States nationality confirming the per-
7 formance of an act of expatriation specified in
8 paragraph (1), (2), (3), or (4) of section 349(a)
9 of the Immigration and Nationality Act (8
10 U.S.C. 1481(a)(1)–(4)),

11 “(C) the date the United States Depart-
12 ment of State issues to the individual a certifi-
13 cate of loss of nationality, or

14 “(D) the date a court of the United States
15 cancels a naturalized citizen’s certificate of nat-
16 uralization.

17 Subparagraph (A) or (B) shall not apply to any indi-
18 vidual unless the renunciation or voluntary relin-
19 quishment is subsequently approved by the issuance
20 to the individual of a certificate of loss of nationality
21 by the United States Department of State.

22 “(5) LONG-TERM RESIDENT.—The term ‘long-
23 term resident’ has the meaning given to such term
24 by section 877(e)(2).

1 “(6) EARLY DISTRIBUTION TAX.—The term
2 ‘early distribution tax’ means any increase in tax im-
3 posed under section 72(t), 220(e)(4), 223(f)(4),
4 409A(a)(1)(B), 529(c)(6), or 530(d)(4).

5 “(h) OTHER RULES.—

6 “(1) TERMINATION OF DEFERRALS, ETC.—In
7 the case of any covered expatriate, notwithstanding
8 any other provision of this title—

9 “(A) any time period for acquiring prop-
10 erty which would result in the reduction in the
11 amount of gain recognized with respect to prop-
12 erty disposed of by the taxpayer shall terminate
13 on the day before the expatriation date, and

14 “(B) any extension of time for payment of
15 tax shall cease to apply on the day before the
16 expatriation date and the unpaid portion of
17 such tax shall be due and payable at the time
18 and in the manner prescribed by the Secretary.

19 “(2) STEP-UP IN BASIS.—Solely for purposes of
20 determining any tax imposed by reason of subsection
21 (a), property which was held by an individual on the
22 date the individual first became a resident of the
23 United States (within the meaning of section
24 7701(b)) shall be treated as having a basis on such
25 date of not less than the fair market value of such

1 property on such date. The preceding sentence shall
2 not apply if the individual elects not to have such
3 sentence apply. Such an election, once made, shall
4 be irrevocable.

5 “(3) COORDINATION WITH SECTION 684.—If the
6 expatriation of any individual would result in the
7 recognition of gain under section 684, this section
8 shall be applied after the application of section 684.

9 “(i) REGULATIONS.—The Secretary shall prescribe
10 such regulations as may be necessary or appropriate to
11 carry out the purposes of this section.”.

12 (b) TAX ON GIFTS AND BEQUESTS RECEIVED BY
13 UNITED STATES CITIZENS AND RESIDENTS FROM EXPA-
14 TRIATES.—

15 (1) IN GENERAL.—Subtitle B (relating to estate
16 and gift taxes) is amended by inserting after chapter
17 14 the following new chapter:

18 **“CHAPTER 15—GIFTS AND BEQUESTS**
19 **FROM EXPATRIATES**

“Sec. 2801. Imposition of tax.

20 **“SEC. 2801. IMPOSITION OF TAX.**

21 “(a) IN GENERAL.—If, during any calendar year, any
22 United States citizen or resident receives any covered gift
23 or bequest, there is hereby imposed a tax equal to the
24 product of—

1 “(1) the highest rate of tax specified in the
2 table contained in section 2001(c) as in effect on the
3 date of such receipt (or, if greater, the highest rate
4 of tax specified in the table applicable under section
5 2502(a) as in effect on the date), and

6 “(2) the value of such covered gift or bequest.

7 “(b) TAX TO BE PAID BY RECIPIENT.—The tax im-
8 posed by subsection (a) on any covered gift or bequest
9 shall be paid by the person receiving such gift or bequest.

10 “(c) EXCEPTION FOR CERTAIN GIFTS.—Subsection
11 (a) shall apply only to the extent that the value of covered
12 gifts and bequests received by any person during the cal-
13 endar year exceeds the dollar amount in effect under sec-
14 tion 2503(b) for such calendar year.

15 “(d) TAX REDUCED BY FOREIGN GIFT OR ESTATE
16 TAX.—The tax imposed by subsection (a) on any covered
17 gift or bequest shall be reduced by the amount of any gift
18 or estate tax paid to a foreign country with respect to such
19 covered gift or bequest.

20 “(e) COVERED GIFT OR BEQUEST.—

21 “(1) IN GENERAL.—For purposes of this chap-
22 ter, the term ‘covered gift or bequest’ means—

23 “(A) any property acquired by gift directly
24 or indirectly from an individual who, at the

1 time of such acquisition, is a covered expatriate,
2 and

3 “(B) any property acquired directly or in-
4 directly by reason of the death of an individual
5 who, immediately before such death, was a cov-
6 ered expatriate.

7 “(2) EXCEPTIONS FOR TRANSFERS OTHERWISE
8 SUBJECT TO ESTATE OR GIFT TAX.—Such term shall
9 not include—

10 “(A) any property shown on a timely filed
11 return of tax imposed by chapter 12 which is a
12 taxable gift by the covered expatriate, and

13 “(B) any property included in the gross es-
14 tate of the covered expatriate for purposes of
15 chapter 11 and shown on a timely filed return
16 of tax imposed by chapter 11 of the estate of
17 the covered expatriate.

18 “(3) EXCEPTIONS FOR TRANSFERS TO SPOUSE
19 OR CHARITY.—Such term shall not include any prop-
20 erty with respect to which a deduction would be al-
21 lowed under section 2055, 2056, 2522, or 2523,
22 whichever is appropriate, if the decedent or donor
23 were a United States person.

24 “(4) TRANSFERS IN TRUST.—

1 “(A) DOMESTIC TRUSTS.—In the case of a
2 covered gift or bequest made to a domestic
3 trust—

4 “(i) subsection (a) shall apply in the
5 same manner as if such trust were a
6 United States citizen, and

7 “(ii) the tax imposed by subsection (a)
8 on such gift or bequest shall be paid by
9 such trust.

10 “(B) FOREIGN TRUSTS.—

11 “(i) IN GENERAL.—In the case of a
12 covered gift or bequest made to a foreign
13 trust, subsection (a) shall apply to any dis-
14 tribution attributable to such gift or be-
15 quest from such trust (whether from in-
16 come or corpus) to a United States citizen
17 or resident in the same manner as if such
18 distribution were a covered gift or bequest.

19 “(ii) DEDUCTION FOR TAX PAID BY
20 RECIPIENT.—There shall be allowed as a
21 deduction under section 164 the amount of
22 tax imposed by this section which is paid
23 or accrued by a United States citizen or
24 resident by reason of a distribution from a
25 foreign trust, but only to the extent such

1 tax is imposed on the portion of such dis-
2 tribution which is included in the gross in-
3 come of such citizen or resident.

4 “(iii) ELECTION TO BE TREATED AS
5 DOMESTIC TRUST.—Solely for purposes of
6 this section, a foreign trust may elect to be
7 treated as a domestic trust. Such an elec-
8 tion may be revoked with the consent of
9 the Secretary.

10 “(f) COVERED EXPATRIATE.—For purposes of this
11 section, the term ‘covered expatriate’ has the meaning
12 given to such term by section 877A(g)(1).”.

13 (2) CLERICAL AMENDMENT.—The table of
14 chapters for subtitle B is amended by inserting after
15 the item relating to chapter 14 the following new
16 item:

“CHAPTER 15. GIFTS AND BEQUESTS FROM EXPATRIATES.”.

17 (c) DEFINITION OF TERMINATION OF UNITED
18 STATES CITIZENSHIP.—

19 (1) IN GENERAL.—Section 7701(a) is amended
20 by adding at the end the following new paragraph:

21 “(50) TERMINATION OF UNITED STATES CITI-
22 ZENSHIP.—

23 “(A) IN GENERAL.—An individual shall
24 not cease to be treated as a United States citi-
25 izen before the date on which the individual’s

1 citizenship is treated as relinquished under sec-
2 tion 877A(g)(4).

3 “(B) DUAL CITIZENS.—Under regulations
4 prescribed by the Secretary, subparagraph (A)
5 shall not apply to an individual who became at
6 birth a citizen of the United States and a cit-
7 izen of another country.”.

8 (2) CONFORMING AMENDMENTS.—

9 (A) Paragraph (1) of section 877(e) is
10 amended to read as follows:

11 “(1) IN GENERAL.—Any long-term resident of
12 the United States who ceases to be a lawful perma-
13 nent resident of the United States (within the mean-
14 ing of section 7701(b)(6)) shall be treated for pur-
15 poses of this section and sections 2107, 2501, and
16 6039G in the same manner as if such resident were
17 a citizen of the United States who lost United States
18 citizenship on the date of such cessation or com-
19 mencement.”.

20 (B) Paragraph (6) of section 7701(b) is
21 amended by adding at the end the following
22 flush sentence:

23 “An individual shall cease to be treated as a lawful
24 permanent resident of the United States if such in-
25 dividual commences to be treated as a resident of a

1 foreign country under the provisions of a tax treaty
2 between the United States and the foreign country,
3 does not waive the benefits of such treaty applicable
4 to residents of the foreign country, and notifies the
5 Secretary of the commencement of such treatment.”.

6 (C) Section 7701 is amended by striking
7 subsection (n) and by redesignating subsections
8 (o) and (p) as subsections (n) and (o), respec-
9 tively.

10 (d) INFORMATION RETURNS.—Section 6039G is
11 amended—

12 (1) by inserting “or 877A” after “section
13 877(b)” in subsection (a), and

14 (2) by inserting “or 877A” after “section
15 877(a)” in subsection (d).

16 (e) CLERICAL AMENDMENT.—The table of sections
17 for subpart A of part II of subchapter N of chapter 1
18 is amended by inserting after the item relating to section
19 877 the following new item:

“Sec. 877A. Tax responsibilities of expatriation.”.

20 (f) EFFECTIVE DATE.—

21 (1) IN GENERAL.—Except as provided in this
22 subsection, the amendments made by this section
23 shall apply to expatriates (as defined in section
24 877A(g) of the Internal Revenue Code of 1986, as
25 added by this section) whose expatriation date (as so

1 defined) is on or after the date of the enactment of
2 this Act.

3 (2) GIFTS AND BEQUESTS.—Chapter 15 of the
4 Internal Revenue Code of 1986 (as added by sub-
5 section (b)) shall apply to covered gifts and bequests
6 (as defined in section 2801 of such Code, as so
7 added) received on or after the date of the enact-
8 ment of this Act from transferors whose expatriation
9 date is on or after such date of enactment.

10 **SEC. 205. SPECIAL ENROLLMENT OPTION BY EMPLOYER**

11 **HEALTH PLANS FOR MEMBERS OF UNIFORM**
12 **SERVICES WHO LOSE HEALTH CARE COV-**
13 **ERAGE.**

14 (a) IN GENERAL.—Section 9801(f) (relating to spe-
15 cial enrollment periods) is amended by adding at the end
16 the following new paragraph:

17 “(3) LOSS OF MILITARY HEALTH COVERAGE.—
18 “(A) IN GENERAL.—Notwithstanding
19 paragraphs (1) and (2), a group health plan
20 shall permit an employee who is eligible, but
21 not enrolled, for coverage under the terms of
22 the plan (or a dependent of such an employee
23 if the dependent is eligible, but not enrolled, for
24 coverage under such terms) to enroll for cov-

1 erage under the terms of the plan if each of the
2 following conditions is met:

3 “(i) The employee or dependent, by
4 reason of service in the uniformed services
5 (within the meaning of section 4303 of
6 title 38, United States Code), was covered
7 under a Federal health care benefit pro-
8 gram (including coverage under the
9 TRICARE program (as that term is de-
10 fined in section 1072 of title 10, United
11 States Code) or by reason of entitlement to
12 health care benefits under the laws admin-
13 istered by the Secretary of Veterans Af-
14 fairs or as a member of the uniformed
15 services on active duty), and the employee
16 or dependent loses eligibility for such cov-
17 erage.

18 “(ii) The employee or dependent is
19 otherwise eligible to enroll for coverage
20 under the terms of the plan.

21 “(iii) The employee requests such cov-
22 erage not later than 90 days after the date
23 on which the coverage described in clause
24 (i) terminated.

1 “(B) EFFECTIVE DATE OF COVERAGE.—
2 Coverage requested under subparagraph (A)(iii)
3 shall become effective not later than the first
4 day of the first month after the date of such re-
5 quest.”.

6 (b) EMPLOYEE RETIREMENT INCOME SECURITY ACT
7 OF 1974.—Section 701(f) of the Employee Retirement In-
8 come Security Act of 1974 (29 U.S.C. 1181(f)) is amend-
9 ed by adding at the end the following:

10 “(3) LOSS OF MILITARY HEALTH COVERAGE.—

11 “(A) IN GENERAL.—Notwithstanding
12 paragraphs (1) and (2), a group health plan,
13 and a health insurance issuer offering group
14 health insurance coverage in connection with a
15 group health plan, shall permit an employee
16 who is eligible, but not enrolled, for coverage
17 under the terms of the plan (or a dependent of
18 such an employee if the dependent is eligible,
19 but not enrolled, for coverage under such
20 terms) to enroll for coverage under the terms of
21 the plan if each of the following conditions is
22 met:

23 “(i) The employee or dependent, by
24 reason of service in the uniformed services
25 (within the meaning of section 4303 of

1 title 38, United States Code), was covered
2 under a Federal health care benefit pro-
3 gram (including coverage under the
4 TRICARE program (as that term is de-
5 fined in section 1072 of title 10, United
6 States Code) or by reason of entitlement to
7 health care benefits under the laws admin-
8 istered by the Secretary of Veterans Af-
9 fairs or as a member of the uniformed
10 services on active duty), and the employee
11 or dependent loses eligibility for such cov-
12 erage.

13 “(ii) The employee or dependent is
14 otherwise eligible to enroll for coverage
15 under the terms of the plan.

16 “(iii) The employee requests such cov-
17 erage not later than 90 days after the date
18 on which the coverage described in clause
19 (i) terminated.

20 “(B) EFFECTIVE DATE OF COVERAGE.—
21 Coverage requested under subparagraph (A)(iii)
22 shall become effective not later than the first
23 day of the first month after the date of such re-
24 quest.”.

1 (c) PUBLIC HEALTH SERVICE ACT.—Section 2701(f)
2 of the Public Health Service Act (42 U.S.C. 300gg(f)) is
3 amended by adding at the end the following:

4 “(3) LOSS OF MILITARY HEALTH COVERAGE.—

5 “(A) IN GENERAL.—Notwithstanding
6 paragraphs (1) and (2), a group health plan,
7 and a health insurance issuer offering group
8 health insurance coverage in connection with a
9 group health plan, shall permit an employee
10 who is eligible, but not enrolled, for coverage
11 under the terms of the plan (or a dependent of
12 such an employee if the dependent is eligible,
13 but not enrolled, for coverage under such
14 terms) to enroll for coverage under the terms of
15 the plan if each of the following conditions is
16 met:

17 “(i) The employee or dependent, by
18 reason of service in the uniformed services
19 (within the meaning of section 4303 of
20 title 38, United States Code), was covered
21 under a Federal health care benefit pro-
22 gram (including coverage under the
23 TRICARE program (as that term is de-
24 fined in section 1072 of title 10, United
25 States Code) or by reason of entitlement to

1 health care benefits under the laws admin-
2 istered by the Secretary of Veterans Af-
3 fairs or as a member of the uniformed
4 services on active duty), and the employee
5 or dependent loses eligibility for such cov-
6 erage.

7 “(ii) The employee or dependent is
8 otherwise eligible to enroll for coverage
9 under the terms of the plan.

10 “(iii) The employee requests such cov-
11 erage not later than 90 days after the date
12 on which the coverage described in clause
13 (i) terminated.

14 “(B) EFFECTIVE DATE OF COVERAGE.—
15 Coverage requested under subparagraph (A)(iii)
16 shall become effective not later than the first
17 day of the first month after the date of such re-
18 quest.”.

19 (d) REGULATIONS.—The Secretary of the Treasury,
20 the Secretary of Labor, and the Secretary of Health and
21 Human Services, consistent with section 104 of the Health
22 Insurance Portability and Accountability Act of 1996 (42
23 U.S.C. 300gg-92 note), may promulgate such regulations
24 as may be necessary or appropriate to require the notifica-

1 tion of individuals (or their dependents) of their rights
2 under the amendment made by this Act.

3 (e) EFFECTIVE DATE.—The amendments made by
4 this section shall take effect 90 days after the date of the
5 enactment of this Act.

6 **TITLE III—TAX TECHNICAL** 7 **CORRECTIONS**

8 **SEC. 301. SHORT TITLE.**

9 This title may be cited as the “”.

10 **SEC. 302. AMENDMENT RELATED TO THE TAX RELIEF AND** 11 **HEALTH CARE ACT OF 2006.**

12 (a) AMENDMENT RELATED TO SECTION 402 OF DI-
13 VISION A OF THE ACT.—Subparagraph (A) of section
14 53(e)(2) is amended to read as follows:

15 “(A) IN GENERAL.—The term ‘AMT re-
16 fundable credit amount’ means, with respect to
17 any taxable year, the amount (not in excess of
18 the long-term unused minimum tax credit for
19 such taxable year) equal to the greater of—

20 “(i) \$5,000,

21 “(ii) 20 percent of the long-term un-
22 used minimum tax credit for such taxable
23 year, or

24 “(iii) the amount (if any) of the AMT
25 refundable credit amount determined

1 under this paragraph for the taxpayer’s
2 preceding taxable year (as determined be-
3 fore any reduction under subparagraph
4 (B)).”.

5 (b) EFFECTIVE DATE.—The amendment made by
6 this section shall take effect as if included in the provision
7 of the Tax Relief and Health Care Act of 2006 to which
8 it relates.

9 **SEC. 303. AMENDMENTS RELATED TO TITLE XII OF THE**
10 **PENSION PROTECTION ACT OF 2006.**

11 (a) AMENDMENT RELATED TO SECTION 1201 OF
12 THE ACT.—Subparagraph (D) of section 408(d)(8) is
13 amended by striking “all amounts distributed from all in-
14 dividual retirement plans were treated as 1 contract under
15 paragraph (2)(A) for purposes of determining the inclu-
16 sion of such distribution under section 72” and inserting
17 “all amounts in all individual retirement plans of the indi-
18 vidual were distributed during such taxable year and all
19 such plans were treated as 1 contract for purposes of de-
20 termining under section 72 the aggregate amount which
21 would have been so includible”.

22 (b) AMENDMENT RELATED TO SECTION 1203 OF
23 THE ACT.—Subsection (d) of section 1366 is amended by
24 adding at the end the following new paragraph:

1 “(4) APPLICATION OF LIMITATION ON CHARITABLE CONTRIBUTIONS.—In the case of any charitable contribution of property to which the second sentence of section 1367(a)(2) applies, paragraph (1) shall not apply to the extent of the excess (if any) of—

2 “(A) the shareholder’s pro rata share of such contribution, over

3 “(B) the shareholder’s pro rata share of the adjusted basis of such property.”.

4 (c) AMENDMENT RELATED TO SECTION 1215 OF THE ACT.—Subclause (I) of section 170(e)(7)(D)(i) is amended by striking “related” and inserting “substantial and related”.

5 (d) AMENDMENTS RELATED TO SECTION 1218 OF THE ACT.—

6 (1) Section 2055 is amended by striking subsection (g) and by redesignating subsection (h) as subsection (g).

7 (2) Subsection (e) of section 2522 is amended—

8 (A) by striking paragraphs (2) and (4),

9 (B) by redesignating paragraph (3) as paragraph (2), and

1 (C) by adding at the end of paragraph (2),
2 as so redesignated, the following new subpara-
3 graph:

4 “(C) INITIAL FRACTIONAL CONTRIBU-
5 TION.—For purposes of this paragraph, the
6 term ‘initial fractional contribution’ means,
7 with respect to any donor, the first gift of an
8 undivided portion of the donor’s entire interest
9 in any tangible personal property for which a
10 deduction is allowed under subsection (a) or
11 (b).”.

12 (e) AMENDMENTS RELATED TO SECTION 1219 OF
13 THE ACT.—

14 (1) Paragraph (2) of section 6695A(a) is
15 amended by inserting “a substantial estate or gift
16 tax valuation understatement (within the meaning of
17 section 6662(g)),” before “or a gross valuation
18 misstatement”.

19 (2) Paragraph (1) of section 6696(d) is amend-
20 ed by striking “or under section 6695” and inserting
21 “, section 6695, or 6695A”.

22 (f) AMENDMENT RELATED TO SECTION 1221 OF THE
23 ACT.—Subparagraph (A) of section 4940(c)(4) is amend-
24 ed to read as follows:

1 “(A) There shall not be taken into account
2 any gain or loss from the sale or other disposi-
3 tion of property to the extent that such gain or
4 loss is taken into account for purposes of com-
5 puting the tax imposed by section 511.”.

6 (g) AMENDMENT RELATED TO SECTION 1225 OF
7 THE ACT.—

8 (1) Subsection (b) of section 6104 is amend-
9 ed—

10 (A) by striking “INFORMATION” in the
11 heading, and

12 (B) by adding at the end the following:
13 “Any annual return which is filed under section
14 6011 by an organization described in section
15 501(c)(3) and which relates to any tax imposed
16 by section 511 (relating to imposition of tax on
17 unrelated business income of charitable, etc.,
18 organizations) shall be treated for purposes of
19 this subsection in the same manner as if fur-
20 nished under section 6033.”.

21 (2) Clause (ii) of section 6104(d)(1)(A) is
22 amended to read as follows:

23 “(ii) any annual return which is filed
24 under section 6011 by an organization de-
25 scribed in section 501(c)(3) and which re-

1 graph (2) by reason of the last sen-
2 tence of section 509(a) and which is a
3 supported organization (as defined in
4 section 509(f)(3)) of the organization
5 to which subparagraph (A) applies.”.

6 (j) EFFECTIVE DATE.—The amendments made by
7 this section shall take effect as if included in the provisions
8 of the Pension Protection Act of 2006 to which they re-
9 late.

10 **SEC. 304. AMENDMENTS RELATED TO THE TAX INCREASE**
11 **PREVENTION AND RECONCILIATION ACT OF**
12 **2005.**

13 (a) AMENDMENTS RELATED TO SECTION 103 OF
14 THE ACT.—Paragraph (6) of section 954(c) is amended
15 by redesignating subparagraph (B) as subparagraph (C)
16 and inserting after subparagraph (A) the following new
17 subparagraph:

18 “(B) EXCEPTION.—Subparagraph (A)
19 shall not apply in the case of any interest, rent,
20 or royalty to the extent such interest, rent, or
21 royalty creates (or increases) a deficit which
22 under section 952(c) may reduce the subpart F
23 income of the payor or another controlled for-
24 eign corporation.”.

1 (b) AMENDMENTS RELATED TO SECTION 202 OF
2 THE ACT.—

3 (1) Subparagraph (A) of section 355(b)(2) is
4 amended to read as follows:

5 “(A) it is engaged in the active conduct of
6 a trade or business,”.

7 (2) Paragraph (3) of section 355(b) is amended
8 to read as follows:

9 “(3) SPECIAL RULES FOR DETERMINING AC-
10 TIVE CONDUCT IN THE CASE OF AFFILIATED
11 GROUPS.—

12 “(A) IN GENERAL.—For purposes of deter-
13 mining whether a corporation meets the re-
14 quirements of paragraph (2)(A), all members of
15 such corporation’s separate affiliated group
16 shall be treated as one corporation.

17 “(B) SEPARATE AFFILIATED GROUP.—For
18 purposes of this paragraph, the term ‘separate
19 affiliated group’ means, with respect to any cor-
20 poration, the affiliated group which would be
21 determined under section 1504(a) if such cor-
22 poration were the common parent and section
23 1504(b) did not apply.

24 “(C) TREATMENT OF TRADE OR BUSINESS
25 CONDUCTED BY ACQUIRED MEMBER.—If a cor-

1 poration became a member of a separate affili-
2 ated group as a result of one or more trans-
3 actions in which gain or loss was recognized in
4 whole or in part, any trade or business con-
5 ducted by such corporation (at the time that
6 such corporation became such a member) shall
7 be treated for purposes of paragraph (2) as ac-
8 quired in a transaction in which gain or loss
9 was recognized in whole or in part.

10 “(D) REGULATIONS.—The Secretary shall
11 prescribe such regulations as are necessary or
12 appropriate to carry out the purposes of this
13 paragraph, including regulations which provide
14 for the proper application of subparagraphs
15 (B), (C), and (D) of paragraph (2), and modify
16 the application of subsection (a)(3)(B), in con-
17 nection with the application of this para-
18 graph.”.

19 (3) The Internal Revenue Code of 1986 shall be
20 applied and administered as if the amendments
21 made by section 202 of the Tax Increase Prevention
22 and Reconciliation Act of 2005 and by section 410
23 of division A of the Tax Relief and Health Care Act
24 of 2006 had never been enacted.

1 (c) AMENDMENT RELATED TO SECTION 515 OF THE
2 ACT.—Subsection (f) of section 911 is amended to read
3 as follows:

4 “(f) DETERMINATION OF TAX LIABILITY.—

5 “(1) IN GENERAL.—If, for any taxable year,
6 any amount is excluded from gross income of a tax-
7 payer under subsection (a), then, notwithstanding
8 sections 1 and 55—

9 “(A) if such taxpayer has taxable income
10 for such taxable year, the tax imposed by sec-
11 tion 1 for such taxable year shall be equal to
12 the excess (if any) of—

13 “(i) the tax which would be imposed
14 by section 1 for such taxable year if the
15 taxpayer’s taxable income were increased
16 by the amount excluded under subsection
17 (a) for such taxable year, over

18 “(ii) the tax which would be imposed
19 by section 1 for such taxable year if the
20 taxpayer’s taxable income were equal to
21 the amount excluded under subsection (a)
22 for such taxable year, and

23 “(B) if such taxpayer has a taxable excess
24 (as defined in section 55(b)(1)(A)(ii)) for such
25 taxable year, the amount determined under the

1 first sentence of section 55(b)(1)(A)(i) for such
2 taxable year shall be equal to the excess (if any)
3 of—

4 “(i) the amount which would be deter-
5 mined under such sentence for such tax-
6 able year (subject to the limitation of sec-
7 tion 55(b)(3)) if the taxpayer’s taxable ex-
8 cess (as so defined) were increased by the
9 amount excluded under subsection (a) for
10 such taxable year, over

11 “(ii) the amount which would be de-
12 termined under such sentence for such tax-
13 able year if the taxpayer’s taxable excess
14 (as so defined) were equal to the amount
15 excluded under subsection (a) for such tax-
16 able year.

17 “(2) SPECIAL RULES.—

18 “(A) REGULAR TAX.—In applying section
19 1(h) for purposes of determining the tax under
20 paragraph (1)(A)(i) for any taxable year in
21 which, without regard to this subsection, the
22 taxpayer’s net capital gain exceeds taxable in-
23 come (hereafter in this subparagraph referred
24 to as the capital gain excess)—

1 “(i) the taxpayer’s net capital gain
2 (determined without regard to section
3 1(h)(11)) shall be reduced (but not below
4 zero) by such capital gain excess,

5 “(ii) the taxpayer’s qualified dividend
6 income shall be reduced by so much of
7 such capital gain excess as exceeds the tax-
8 payer’s net capital gain (determined with-
9 out regard to section 1(h)(11) and the re-
10 duction under clause (i)), and

11 “(iii) adjusted net capital gain,
12 unrecaptured section 1250 gain, and 28-
13 percent rate gain shall each be determined
14 after increasing the amount described in
15 section 1(h)(4)(B) by such capital gain ex-
16 cess.

17 “(B) ALTERNATIVE MINIMUM TAX.—In
18 applying section 55(b)(3) for purposes of deter-
19 mining the tax under paragraph (1)(B)(i) for
20 any taxable year in which, without regard to
21 this subsection, the taxpayer’s net capital gain
22 exceeds the taxable excess (as defined in section
23 55(b)(1)(A)(ii))—

24 “(i) the rules of subparagraph (A)
25 shall apply, except that such subparagraph

1 shall be applied by substituting ‘the tax-
2 able excess (as defined in section
3 55(b)(1)(A)(ii))’ for ‘taxable income’, and
4 “(ii) the reference in section
5 55(b)(3)(B) to the excess described in sec-
6 tion 1(h)(1)(B) shall be treated as a ref-
7 erence to such excess as determined under
8 the rules of subparagraph (A) for purposes
9 of determining the tax under paragraph
10 (1)(A)(i).

11 “(C) DEFINITIONS.—Terms used in this
12 paragraph which are also used in section 1(h)
13 shall have the respective meanings given such
14 terms by section 1(h), except that in applying
15 subparagraph (B) the adjustments under part
16 VI of subchapter A shall be taken into ac-
17 count.”.

18 (d) EFFECTIVE DATE.—

19 (1) IN GENERAL.—Except as otherwise pro-
20 vided in this subsection, the amendments made by
21 this section shall take effect as if included in the
22 provisions of the Tax Increase Prevention and Rec-
23 onciliation Act of 2005 to which they relate.

24 (2) MODIFICATION OF ACTIVE BUSINESS DEF-
25 INITION UNDER SECTION 355.—

1 (A) IN GENERAL.—Except as otherwise
2 provided in this paragraph, the amendments
3 made by subsection (b) shall apply to distribu-
4 tions made after May 17, 2006.

5 (B) TRANSITION RULE.—The amendments
6 made by subsection (b) shall not apply to any
7 distribution pursuant to a transaction which
8 is—

9 (i) made pursuant to an agreement
10 which was binding on May 17, 2006, and
11 at all times thereafter,

12 (ii) described in a ruling request sub-
13 mitted to the Internal Revenue Service on
14 or before such date, or

15 (iii) described on or before such date
16 in a public announcement or in a filing
17 with the Securities and Exchange Commis-
18 sion.

19 (C) ELECTION OUT OF TRANSITION
20 RULE.—Subparagraph (B) shall not apply if
21 the distributing corporation elects not to have
22 such subparagraph apply to distributions of
23 such corporation. Any such election, once made,
24 shall be irrevocable.

1 (D) SPECIAL RULE FOR CERTAIN PRE-EN-
2 ACTMENT DISTRIBUTIONS.—For purposes of
3 determining the continued qualification under
4 section 355(b)(2)(A) of the Internal Revenue
5 Code of 1986 of distributions made on or before
6 May 17, 2006, as a result of an acquisition, dis-
7 position, or other restructuring after such date,
8 such distribution shall be treated as made on
9 the date of such acquisition, disposition, or re-
10 structuring for purposes of applying subpara-
11 graphs (A) through (C) of this paragraph. The
12 preceding sentence shall only apply with respect
13 to the corporation that undertakes such acquisi-
14 tion, disposition, or other restructuring, and
15 only if such application results in continued
16 qualification under section 355(b)(2)(A) of such
17 Code.

18 (3) AMENDMENT RELATED TO SECTION 515 OF
19 THE ACT.—The amendment made by subsection (c)
20 shall apply to taxable years beginning after Decem-
21 ber 31, 2006.

1 **SEC. 305. AMENDMENTS RELATED TO THE SAFE, ACCOUNT-**
2 **ABLE, FLEXIBLE, EFFICIENT TRANSPOR-**
3 **TATION EQUITY ACT: A LEGACY FOR USERS.**

4 (a) AMENDMENTS RELATED TO SECTION 11113 OF
5 THE ACT.—

6 (1) Paragraph (3) of section 6427(i) is amend-
7 ed—

8 (A) by inserting “or under subsection
9 (e)(2) by any person with respect to an alter-
10 native fuel (as defined in section 6426(d)(2))”
11 after “section 6426” in subparagraph (A),

12 (B) by inserting “or (e)(2)” after “sub-
13 section (e)(1)” in subparagraphs (A)(i) and
14 (B), and

15 (C) by striking “ALCOHOL FUEL AND BIO-
16 DIESEL MIXTURE CREDIT” and inserting “MIX-
17 TURE CREDITS AND THE ALTERNATIVE FUEL
18 CREDIT” in the heading thereof.

19 (2) Subparagraph (F) of section 6426(d)(2) is
20 amended by striking “hydrocarbons” and inserting
21 “fuel”.

22 (3) Section 6426 is amended by adding at the
23 end the following new subsection:

24 “(h) DENIAL OF DOUBLE BENEFIT.—No credit shall
25 be determined under subsection (d) or (e) with respect to

1 any fuel with respect to which credit may be determined
2 under subsection (b) or (c) or under section 40 or 40A.”.

3 (b) EFFECTIVE DATE.—The amendments made by
4 this section shall take effect as if included in the provisions
5 of the SAFETEA-LU to which they relate.

6 **SEC. 306. AMENDMENTS RELATED TO THE ENERGY POLICY**

7 **ACT OF 2005.**

8 (a) AMENDMENT RELATED TO SECTION 1306 OF
9 THE ACT.—Paragraph (2) of section 45J(b) is amended
10 to read as follows:

11 “(2) AMOUNT OF NATIONAL LIMITATION.—The
12 aggregate amount of national megawatt capacity
13 limitation allocated by the Secretary under para-
14 graph (3) shall not exceed 6,000 megawatts.”.

15 (b) AMENDMENTS RELATED TO SECTION 1342 OF
16 THE ACT.—

17 (1) So much of subsection (b) of section 30C as
18 precedes paragraph (1) thereof is amended to read
19 as follows:

20 “(b) LIMITATION.—The credit allowed under sub-
21 section (a) with respect to all qualified alternative fuel ve-
22 hicle refueling property placed in service by the taxpayer
23 during the taxable year at a location shall not
24 exceed—”.

1 “(ii) at least 20 percent of the volume
2 of which consists of biodiesel (as so de-
3 fined) determined without regard to any
4 kerosene in such mixture.”.

5 (c) AMENDMENTS RELATED TO SECTION 1351 OF
6 THE ACT.—

7 (1) Paragraph (3) of section 41(a) is amended
8 by inserting “for energy research” before the period
9 at the end.

10 (2) Paragraph (6) of section 41(f) is amended
11 by adding at the end the following new subpara-
12 graph:

13 “(E) ENERGY RESEARCH.—The term ‘en-
14 ergy research’ does not include any research
15 which is not qualified research.”.

16 (d) AMENDMENTS RELATED TO SECTION 1362 OF
17 THE ACT.—

18 (1)(A) Paragraph (1) of section 4041(d) is
19 amended by adding at the end the following new
20 sentence: “No tax shall be imposed under the pre-
21 ceding sentence on the sale or use of any liquid if
22 tax was imposed with respect to such liquid under
23 section 4081 at the Leaking Underground Storage
24 Tank Trust Fund financing rate.”.

1 (B) Paragraph (3) of section 4042(b) is amend-
2 ed to read as follows:

3 “(3) EXCEPTION FOR FUEL ON WHICH LEAK-
4 ING UNDERGROUND STORAGE TANK TRUST FUND FI-
5 NANCING RATE SEPARATELY IMPOSED.—The Leak-
6 ing Underground Storage Tank Trust Fund financ-
7 ing rate under paragraph (2)(B) shall not apply to
8 the use of any fuel if tax was imposed with respect
9 to such fuel under section 4041(d) or 4081 at the
10 Leaking Underground Storage Tank Trust Fund fi-
11 nancing rate.”.

12 (C) Notwithstanding section 6430 of the Inter-
13 nal Revenue Code of 1986, a refund, credit, or pay-
14 ment may be made under subchapter B of chapter
15 65 of such Code for taxes imposed with respect to
16 any liquid after September 30, 2005, and before the
17 date of the enactment of this Act under section
18 4041(d)(1) or 4042 of such Code at the Leaking
19 Underground Storage Tank Trust Fund financing
20 rate to the extent that tax was imposed with respect
21 to such liquid under section 4081 at the Leaking
22 Underground Storage Tank Trust Fund financing
23 rate.

24 (2)(A) Paragraph (5) of section 4041(d) is
25 amended—

1 (i) by striking “(other than with respect to
2 any sale for export under paragraph (3) there-
3 of)”, and

4 (ii) by adding at the end the following new
5 sentence: “The preceding sentence shall not
6 apply with respect to subsection (g)(3) and so
7 much of subsection (g)(1) as relates to vessels
8 (within the meaning of section 4221(d)(3)) em-
9 ployed in foreign trade or trade between the
10 United States and any of its possessions.”.

11 (B) Section 4082 is amended—

12 (i) by striking “(other than such tax at the
13 Leaking Underground Storage Tank Trust
14 Fund financing rate imposed in all cases other
15 than for export)” in subsection (a), and

16 (ii) by redesignating subsections (f) and
17 (g) as subsections (g) and (h), respectively, and
18 by inserting after subsection (e) the following
19 new subsection:

20 “(f) EXCEPTION FOR LEAKING UNDERGROUND
21 STORAGE TANK TRUST FUND FINANCING RATE.—

22 “(1) IN GENERAL.—Subsection (a) shall not
23 apply to the tax imposed under section 4081 at the
24 Leaking Underground Storage Tank Trust Fund fi-
25 nancing rate.

1 “(2) EXCEPTION FOR EXPORT, ETC.—Para-
2 graph (1) shall not apply with respect to any fuel if
3 the Secretary determines that such fuel is destined
4 for export or for use by the purchaser as supplies for
5 vessels (within the meaning of section 4221(d)(3))
6 employed in foreign trade or trade between the
7 United States and any of its possessions.”.

8 (C) Subsection (e) of section 4082 is amend-
9 ed—

10 (i) by striking “an aircraft, the rate of tax
11 under section 4081(a)(2)(A)(iii) shall be zero.”
12 and inserting “an aircraft—

13 “(1) the rate of tax under section
14 4081(a)(2)(A)(iii) shall be zero, and

15 “(2) if such aircraft is employed in foreign
16 trade or trade between the United States and any of
17 its possessions, the increase in such rate under sec-
18 tion 4081(a)(2)(B) shall be zero.”; and

19 (ii) by moving the last sentence flush with
20 the margin of such subsection (following the
21 paragraph (2) added by clause (i)).

22 (D) Section 6430 is amended to read as follows:

1 **“SEC. 6430. TREATMENT OF TAX IMPOSED AT LEAKING UN-**
2 **DERGROUND STORAGE TANK TRUST FUND**
3 **FINANCING RATE.**

4 “No refunds, credits, or payments shall be made
5 under this subchapter for any tax imposed at the Leaking
6 Underground Storage Tank Trust Fund financing rate,
7 except in the case of fuels—

8 “(1) which are exempt from tax under section
9 4081(a) by reason of section 4082(f)(2),

10 “(2) which are exempt from tax under section
11 4041(d) by reason of the last sentence of paragraph
12 (5) thereof, or

13 “(3) with respect to which the rate increase
14 under section 4081(a)(2)(B) is zero by reason of
15 section 4082(e)(2).”.

16 (3) Paragraph (5) of section 4041(d) is amend-
17 ed by inserting “(b)(1)(A),” after “subsections”.

18 (e) EFFECTIVE DATE.—

19 (1) IN GENERAL.—Except as otherwise pro-
20 vided in this subsection, the amendments made by
21 this section shall take effect as if included in the
22 provisions of the Energy Policy Act of 2005 to which
23 they relate.

24 (2) NONAPPLICATION OF EXEMPTION FOR OFF-
25 HIGHWAY BUSINESS USE.—The amendment made by

1 subsection (d)(3) shall apply to fuel sold for use or
2 used after the date of the enactment of this Act.

3 (3) AMENDMENT MADE BY THE SAFETEA-
4 LU.—The amendment made by subsection
5 (d)(2)(C)(ii) shall take effect as if included in sec-
6 tion 11161 of the SAFETEA-LU.

7 **SEC. 307. AMENDMENTS RELATED TO THE AMERICAN JOBS**
8 **CREATION ACT OF 2004.**

9 (a) AMENDMENTS RELATED TO SECTION 339 OF
10 THE ACT.—

11 (1)(A) Section 45H is amended by striking sub-
12 section (d) and by redesignating subsections (e), (f),
13 and (g) as subsections (d), (e), and (f), respectively.

14 (B) Subsection (d) of section 280C is amended
15 to read as follows:

16 “(d) CREDIT FOR LOW SULFUR DIESEL FUEL PRO-
17 Duction.—The deductions otherwise allowed under this
18 chapter for the taxable year shall be reduced by the
19 amount of the credit determined for the taxable year
20 under section 45H(a).”.

21 (C) Subsection (a) of section 1016 is amended
22 by striking paragraph (31) and by redesignating
23 paragraphs (32) through (37) as paragraphs (31)
24 through (36), respectively.

1 (2)(A) Section 45H, as amended by paragraph
2 (1), is amended by adding at the end the following
3 new subsection:

4 “(g) ELECTION TO NOT TAKE CREDIT.—No credit
5 shall be determined under subsection (a) for the taxable
6 year if the taxpayer elects not to have subsection (a) apply
7 to such taxable year.”.

8 (B) Subsection (m) of section 6501 is amended
9 by inserting “45H(g),” after “45C(d)(4),”.

10 (3)(A) Subsections (b)(1)(A), (c)(2), (e)(1), and
11 (e)(2) of section 45H (as amended by paragraph
12 (1)) and section 179B(a) are each amended by strik-
13 ing “qualified capital costs” and inserting “qualified
14 costs”.

15 (B) The heading of paragraph (2) of section
16 45H(c) is amended by striking “CAPITAL”.

17 (C) Subsection (a) of section 179B is amended
18 by inserting “and which are properly chargeable to
19 capital account” before the period at the end.

20 (b) AMENDMENTS RELATED TO SECTION 710 OF
21 THE ACT.—

22 (1) Clause (ii) of section 45(c)(3)(A) is amend-
23 ed by striking “which is segregated from other waste
24 materials and”.

1 (2) Subparagraph (B) of section 45(d)(2) is
2 amended by inserting “and” at the end of clause (i),
3 by striking clause (ii), and by redesignating clause
4 (iii) as clause (ii).

5 (c) AMENDMENTS RELATED TO SECTION 848 OF
6 THE ACT.—

7 (1) Paragraph (2) of section 470(c) is amended
8 to read as follows:

9 “(2) TAX-EXEMPT USE PROPERTY.—

10 “(A) IN GENERAL.—The term ‘tax-exempt
11 use property’ has the meaning given to such
12 term by section 168(h), except that such section
13 shall be applied—

14 “(i) without regard to paragraphs
15 (1)(C) and (3) thereof, and

16 “(ii) as if section 197 intangible prop-
17 erty (as defined in section 197), and prop-
18 erty described in paragraph (1)(B) or (2)
19 of section 167(f), were tangible property.

20 “(B) EXCEPTION FOR PARTNERSHIPS.—

21 Such term shall not include any property which
22 would (but for this subparagraph) be tax-ex-
23 empt use property solely by reason of section
24 168(h)(6).

1 positions which is equal to the loss de-
2 scribed in clause (ii), and”.

3 (2)(A) Subparagraph (B) of section 1092(a)(2)
4 is amended by adding at the end the following flush
5 sentence:

6 “A straddle shall be treated as clearly identified
7 for purposes of clause (i) only if such identifica-
8 tion includes an identification of the positions
9 in the straddle which are offsetting with respect
10 other positions in the straddle.”.

11 (B) Subparagraph (A) of section 1092(a)(2) is
12 amended—

13 (i) by striking “identified positions” in
14 clause (i) and inserting “positions”,

15 (ii) by striking “identified position” in
16 clause (ii) and inserting “position”, and

17 (iii) by striking “identified offsetting posi-
18 tions” in clause (ii) and inserting “offsetting
19 positions”.

20 (C) Subparagraph (B) of section 1092(a)(3) is
21 amended by striking “identified offsetting position”
22 and inserting “offsetting position”.

23 (3) Paragraph (2) of section 1092(a) is amend-
24 ed by redesignating subparagraph (C) as subpara-

1 graph (D) and inserting after subparagraph (B) the
2 following new subparagraph:

3 “(C) APPLICATION TO LIABILITIES AND
4 OBLIGATIONS.—Except as otherwise provided
5 by the Secretary, rules similar to the rules of
6 clauses (ii) and (iii) of subparagraph (A) shall
7 apply for purposes of this paragraph with re-
8 spect to any position which is, or has been, a
9 liability or obligation.”.

10 (4) Subparagraph (D) of section 1092(a)(2), as
11 redesignated by paragraph (3), is amended by in-
12 sserting “the rules for the application of this section
13 to a position which is or has been a liability or obli-
14 gation, methods of loss allocation which satisfy the
15 requirements of subparagraph (A)(iii),” before “and
16 the ordering rules”.

17 (e) EFFECTIVE DATE.—

18 (1) IN GENERAL.—Except as otherwise pro-
19 vided in this subsection, the amendments made by
20 this section shall take effect as if included in the
21 provisions of the American Jobs Creation Act of
22 2004 to which they relate.

23 (2) IDENTIFICATION REQUIREMENT OF AMEND-
24 MENT RELATED TO SECTION 888 OF THE AMERICAN
25 JOBS CREATION ACT OF 2004.—The amendment

1 made by subsection (d)(2)(A) shall apply to strad-
2 dles acquired after the date of the enactment of this
3 Act.

4 **SEC. 308. AMENDMENTS RELATED TO THE ECONOMIC**
5 **GROWTH AND TAX RELIEF RECONCILIATION**
6 **ACT OF 2001.**

7 (a) AMENDMENTS RELATED TO SECTION 617 OF
8 THE ACT.—

9 (1) Subclause (II) of section 402(g)(7)(A)(ii) is
10 amended by striking “for prior taxable years” and
11 inserting “permitted for prior taxable years by rea-
12 son of this paragraph”.

13 (2) Subparagraph (A) of section 3121(v)(1) is
14 amended by inserting “or consisting of designated
15 Roth contributions (as defined in section 402A(c))”
16 before the comma at the end.

17 (b) EFFECTIVE DATE.—The amendments made by
18 this section shall take effect as if included in the provisions
19 of the Economic Growth and Tax Relief Reconciliation Act
20 of 2001 to which they relate.

21 **SEC. 309. AMENDMENTS RELATED TO THE TAX RELIEF EX-**
22 **TENSION ACT OF 1999.**

23 (a) AMENDMENT RELATED TO SECTION 507 OF THE
24 ACT.—Clause (i) of section 45(e)(7)(A) is amended by

1 striking “placed in service by the taxpayer” and inserting
2 “originally placed in service”.

3 (b) AMENDMENT RELATED TO SECTION 542 OF THE
4 ACT.—Clause (ii) of section 856(d)(9)(D) is amended to
5 read as follows:

6 “(ii) LODGING FACILITY.—The term
7 ‘lodging facility’ means a—
8 (I) hotel,
9 (II) motel, or
10 (III) other establishment more
11 than one-half of the dwelling units in
12 which are used on a transient basis.”.

13 (c) EFFECTIVE DATE.—The amendments made by
14 this section shall take effect as if included in the provisions
15 of the Tax Relief Extension Act of 1999 to which they
16 relate.

17 **SEC. 310. AMENDMENT RELATED TO THE INTERNAL REV-**
18 **ENUE SERVICE RESTRUCTURING AND RE-**
19 **FORM ACT OF 1998.**

20 (a) AMENDMENT RELATED TO SECTION 3509 OF
21 THE ACT.—Paragraph (3) of section 6110(i) is amended
22 by inserting “and related background file documents”
23 after “Chief Counsel advice” in the matter preceding sub-
24 paragraph (A).

1 (b) EFFECTIVE DATE.—The amendment made by
2 this section shall take effect as if included in the provision
3 of the Internal Revenue Service Restructuring and Reform
4 Act of 1998 to which it relates.

5 **SEC. 311. CLERICAL CORRECTIONS.**

6 (a) IN GENERAL.—

7 (1) Paragraph (5) of section 21(e) is amended
8 by striking “section 152(e)(3)(A)” in the flush mat-
9 ter after subparagraph (B) and inserting “section
10 152(e)(4)(A)”.

11 (2) Paragraph (3) of section 25C(e) is amended
12 by striking “section 3280” and inserting “part
13 3280”.

14 (3) Paragraph (2) of section 26(b) is amended
15 by redesignating subparagraphs (S) and (T) as sub-
16 subparagraphs (U) and (V), respectively, and by insert-
17 ing after subparagraph (R) the following new sub-
18 paragraphs:

19 “(S) sections 106(e)(3)(A)(ii),
20 223(b)(8)(B)(i)(II), and 408(d)(9)(D)(i)(II)
21 (relating to certain failures to maintain high de-
22 ductible health plan coverage),

23 “(T) section 170(o)(3)(B) (relating to re-
24 capture of certain deductions for fractional
25 gifts),”.

1 (4) Subsection (a) of section 34 is amended—

2 (A) in paragraph (1), by striking “with re-
3 spect to gasoline used during the taxable year
4 on a farm for farming purposes”,

5 (B) in paragraph (2), by striking “with re-
6 spect to gasoline used during the taxable year

7 (A) otherwise than as a fuel in a highway vehi-
8 cle or (B) in vehicles while engaged in fur-
9 nishing certain public passenger land transpor-
10 tation service”, and

11 (C) in paragraph (3), by striking “with re-
12 spect to fuels used for nontaxable purposes or
13 resold during the taxable year”.

14 (5) Paragraph (2) of section 35(d) is amend-
15 ed—

16 (A) by striking “paragraph (2) or (4) of”,
17 and

18 (B) by striking “(within the meaning of
19 section 152(e)(1))” and inserting “(as defined
20 in section 152(e)(4)(A))”.

21 (6) Subsection (b) of section 38 is amended—

22 (A) by striking “and” each place it ap-
23 pears at the end of any paragraph,

24 (B) by striking “plus” each place it ap-
25 pears at the end of any paragraph, and

1 (C) by inserting “plus” at the end of para-
2 graph (30).

3 (7) Paragraphs (2) and (3) of section 45L(c)
4 are each amended by striking “section 3280” and
5 inserting “part 3280”.

6 (8) Subsection (c) of section 48 is amended by
7 striking “subsection” in the text preceding para-
8 graph (1) and inserting “section”.

9 (9) Paragraphs (1)(B) and (2)(B) of section
10 48(c) are each amended by striking “paragraph (1)”
11 and inserting “subsection (a)”.

12 (10) Clause (ii) of section 48A(d)(4)(B) is
13 amended by striking “subsection” both places it ap-
14 pears.

15 (11) The last sentence of section 125(b)(2) is
16 amended by striking “last sentence” and inserting
17 “second sentence”.

18 (12) Subclause (II) of section 167(g)(8)(C)(ii)
19 is amended by striking “section 263A(j)(2)” and in-
20 serting “section 263A(i)(2)”.

21 (13)(A) Clause (vii) of section 170(b)(1)(A) is
22 amended by striking “subparagraph (E)” and insert-
23 ing “subparagraph (F)”.

1 (B) Clause (ii) of section 170(e)(1)(B) is
2 amended by striking “subsection (b)(1)(E)” and in-
3 serting “subsection (b)(1)(F)”.

4 (C) Clause (i) of section 1400S(a)(2)(A) is
5 amended by striking “subparagraph (F)” and insert-
6 ing “subparagraph (G)”.

7 (D) Subparagraph (A) of section 4942(i)(1) is
8 amended by striking “section 170(b)(1)(E)(ii)” and
9 inserting “section 170(b)(1)(F)(ii)”.

10 (14) Subclause (II) of section 170(e)(1)(B)(i) is
11 amended by inserting “, but without regard to
12 clause (ii) thereof” after “paragraph (7)(C)”.

13 (15)(A) Subparagraph (A) of section 170(o)(1)
14 and subparagraph (A) of section 2522(e)(1) are
15 each amended by striking “all interest in the prop-
16 erty is” and inserting “all interests in the property
17 are”.

18 (B) Section 170(o)(3)(A)(i), and section
19 2522(e)(2)(A)(i) (as redesignated by section
20 403(d)(2)), are each amended—

21 (i) by striking “interest” and inserting “in-
22 terests”, and

23 (ii) by striking “before” and inserting “on
24 or before”.

1 (17) Paragraph (2) of section 856(l) is amend-
2 ed by striking the last sentence and inserting the fol-
3 lowing: “For purposes of subparagraph (B), securi-
4 ties described in subsection (m)(2)(A) shall not be
5 taken into account.”.

6 (18) Subparagraph (F) of section 954(c)(1) is
7 amended to read as follows:

8 “(F) INCOME FROM NOTIONAL PRINCIPAL
9 CONTRACTS.—

10 “(i) IN GENERAL.—Net income from
11 notional principal contracts.

12 “(ii) COORDINATION WITH OTHER
13 CATEGORIES OF FOREIGN PERSONAL
14 HOLDING COMPANY INCOME.—Any item of
15 income, gain, deduction, or loss from a no-
16 tional principal contract entered into for
17 purposes of hedging any item described in
18 any preceding subparagraph shall not be
19 taken into account for purposes of this
20 subparagraph but shall be taken into ac-
21 count under such other subparagraph.”.

22 (19) Paragraph (1) of section 954(c) is amend-
23 ed by redesignating subparagraph (I) as subpara-
24 graph (H).

1 (20) Paragraph (33) of section 1016(a), as re-
2 designated by section 407(a)(1)(C), is amended by
3 striking “section 25C(e)” and inserting “section
4 25C(f)”.

5 (21) Paragraph (36) of section 1016(a), as re-
6 designated by section 407(a)(1)(C), is amended by
7 striking “section 30C(f)” and inserting “section
8 30C(e)(1)”.

9 (22) Subparagraph (G) of section 1260(c)(2) is
10 amended by adding “and” at the end.

11 (23)(A) Section 1297 is amended by striking
12 subsection (d) and by redesignating subsections (e)
13 and (f) as subsections (d) and (e), respectively.

14 (B) Subparagraph (G) of section 1260(c)(2) is
15 amended by striking “subsection (e)” and inserting
16 “subsection (d)”.

17 (C) Subparagraph (B) of section 1298(a)(2) is
18 amended by striking “Section 1297(e)” and insert-
19 ing “Section 1297(d)”.

20 (24) Paragraph (1) of section 1362(f) is
21 amended—

22 (A) by striking “, section
23 1361(b)(3)(B)(ii), or section 1361(c)(1)(A)(ii)”
24 and inserting “or section 1361(b)(3)(B)(ii)”,
25 and

1 (B) by striking “, section 1361(b)(3)(C),
2 or section 1361(c)(1)(D)(iii)” in subparagraph
3 (B) and inserting “or section 1361(b)(3)(C)”.

4 (25) Paragraph (2) of section 14000 is amend-
5 ed by striking “under of” and inserting “under”.

6 (26) The table of sections for part II of sub-
7 chapter Y of chapter 1 is amended by adding at the
8 end the following new item:

“Sec. 1400T. Special rules for mortgage revenue bonds.”.

9 (27) Subsection (b) of section 4082 is amended
10 to read as follows:

11 “(b) NONTAXABLE USE.—For purposes of this sec-
12 tion, the term ‘nontaxable use’ means—

13 “(1) any use which is exempt from the tax im-
14 posed by section 4041(a)(1) other than by reason of
15 a prior imposition of tax,

16 “(2) any use in a train, and

17 “(3) any use described in section
18 4041(a)(1)(C)(iii)(II).

19 The term ‘nontaxable use’ does not include the use of ker-
20 osene in an aircraft and such term shall not include any
21 use described in section 6421(e)(2)(C).”.

22 (28) Paragraph (4) of section 4101(a) (relating
23 to registration in event of change of ownership) is
24 redesignated as paragraph (5).

1 (29) Paragraph (6) of section 4965(c) is
2 amended by striking “section 4457(e)(1)(A)” and
3 inserting “section 457(e)(1)(A)”.

4 (30) Subpart C of part II of subchapter A of
5 chapter 51 is amended by redesignating section
6 5432 (relating to recordkeeping by wholesale deal-
7 ers) as section 5121.

8 (31) Paragraph (2) of section 5732(c), as re-
9 designated by section 11125(b)(20)(A) of the
10 SAFETEA-LU, is amended by striking “this sub-
11 part” and inserting “this subchapter”.

12 (32) Subsection (b) of section 6046 is amend-
13 ed—

14 (A) by striking “subsection (a)(1)” and in-
15 serting “subsection (a)(1)(A)”, and

16 (B) by striking “paragraph (2) or (3) of
17 subsection (a)” and inserting “subparagraph
18 (B) or (C) of subsection (a)(1)”.

19 (33)(A) Subparagraph (A) of section
20 6103(b)(5) is amended by striking “the Canal
21 Zone,”.

22 (B) Section 7651 is amended by striking para-
23 graph (4) and by redesignating paragraph (5) as
24 paragraph (4).

1 (34) Subparagraph (A) of section 6211(b)(4) is
2 amended by striking “and 34” and inserting “34,
3 and 35”.

4 (35) Subparagraphs (A) and (B) of section
5 6230(a)(3) are each amended by striking “section
6 6013(e)” and inserting “section 6015”.

7 (36) Paragraph (3) of section 6427(e) (relating
8 to termination), as added by section 11113 of the
9 SAFETEA-LU, is redesignated as paragraph (5)
10 and moved after paragraph (4).

11 (37) Clause (ii) of section 6427(l)(4)(A) is
12 amended by striking “section 4081(a)(2)(iii)” and
13 inserting “section 4081(a)(2)(A)(iii)”.

14 (38)(A) Section 6427, as amended by section
15 1343(b)(1) of the Energy Policy Act of 2005, is
16 amended by striking subsection (p) (relating to gas-
17 ohol used in noncommercial aviation) and redesign-
18 ating subsection (q) as subsection (p).

19 (B) The Internal Revenue Code of 1986 shall
20 be applied and administered as if the amendments
21 made by paragraph (2) of section 11151(a) of the
22 SAFETEA-LU had never been enacted.

23 (39) Subsection (a) of section 6695A is amend-
24 ed by striking “then such person” in paragraph (2)
25 and inserting the following:

1 “then such person”.

2 (40) Subparagraph (C) of section 6707A(e)(2)
3 is amended by striking “section 6662A(e)(2)(C)”
4 and inserting “section 6662A(e)(2)(B)”.

5 (41)(A) Paragraph (3) of section 9002 is
6 amended by striking “section 309(a)(1)” and insert-
7 ing “section 306(a)(1)”.

8 (B) Paragraph (1) of section 9004(a) is amend-
9 ed by striking “section 320(b)(1)(B)” and inserting
10 “section 315(b)(1)(B)”.

11 (C) Paragraph (3) of section 9032 is amended
12 by striking “section 309(a)(1)” and inserting “sec-
13 tion 306(a)(1)”.

14 (D) Subsection (b) of section 9034 is amended
15 by striking “section 320(b)(1)(A)” and inserting
16 “section 315(b)(1)(A)”.

17 (42) Section 9006 is amended by striking
18 “Comptroller General” each place it appears and in-
19 serting “Commission”.

20 (43) Subsection (e) of section 9503 is amended
21 by redesignating paragraph (7) (relating to transfers
22 from the trust fund for certain aviation fuels taxes)
23 as paragraph (6).

24 (44) Paragraph (1) of section 1301(g) of the
25 Energy Policy Act of 2005 is amended by striking

1 “shall take effect of the date of the enactment” and
2 inserting “shall take effect on the date of the enact-
3 ment”.

4 (45) The Internal Revenue Code of 1986 shall
5 be applied and administered as if the amendments
6 made by section 1(a) of Public Law 109–433 had
7 never been enacted.

8 (b) CLERICAL AMENDMENTS RELATED TO THE TAX
9 RELIEF AND HEALTH CARE ACT OF 2006.—

10 (1) AMENDMENT RELATED TO SECTION 209 OF
11 DIVISION A OF THE ACT.—Paragraph (3) of section
12 168(l) is amended by striking “enzymatic”.

13 (2) AMENDMENTS RELATED TO SECTION 419 OF
14 DIVISION A OF THE ACT.—

15 (A) Clause (iv) of section 6724(d)(1)(B) is
16 amended by inserting “or (h)(1)” after “section
17 6050H(a)”.

18 (B) Subparagraph (K) of section
19 6724(d)(2) is amended by inserting “or (h)(2)”
20 after “section 6050H(d)”.

21 (3) EFFECTIVE DATE.—The amendments made
22 by this subsection shall take effect as if included in
23 the provision of the Tax Relief and Health Care Act
24 of 2006 to which they relate.

1 (c) CLERICAL AMENDMENTS RELATED TO THE GULF
2 OPPORTUNITY ZONE ACT OF 2005.—

3 (1) AMENDMENTS RELATED TO SECTION 402 OF
4 THE ACT.—Subparagraph (B) of section 24(d)(1) is
5 amended—

6 (A) by striking “the excess (if any) of” in
7 the matter preceding clause (i) and inserting
8 “the greater of”, and

9 (B) by striking “section” in clause (ii)(II)
10 and inserting “section 32”.

11 (2) EFFECTIVE DATE.—The amendments made
12 by this subsection shall take effect as if included in
13 the provisions of the Gulf Opportunity Zone Act of
14 2005 to which they relate.

15 (d) CLERICAL AMENDMENTS RELATED TO THE
16 SAFE, ACCOUNTABLE, FLEXIBLE, EFFICIENT TRANSPOR-
17 TATION EQUITY ACT: A LEGACY FOR USERS.—

18 (1) AMENDMENTS RELATED TO SECTION 11163
19 OF THE ACT.—Subparagraph (C) of section
20 6416(a)(4) is amended—

21 (A) by striking “ultimate vendor” and all
22 that follows through “has certified” and insert-
23 ing “ultimate vendor or credit card issuer has
24 certified”, and

1 (B) by striking “all ultimate purchasers of
2 the vendor” and all that follows through “are
3 certified” and inserting “all ultimate purchasers
4 of the vendor or credit card issuer are cer-
5 tified”.

6 (2) EFFECTIVE DATE.—The amendments made
7 by this subsection shall take effect as if included in
8 the provisions of the Safe, Accountable, Flexible, Ef-
9 ficient Transportation Equity Act: A Legacy for
10 Users to which they relate.

11 (e) CLERICAL AMENDMENTS RELATED TO THE EN-
12 ERGY POLICY ACT OF 2005.—

13 (1) AMENDMENT RELATED TO SECTION 1344 OF
14 THE ACT.—Subparagraph (B) of section 6427(e)(5),
15 as redesignated by subsection (a)(36), is amended by
16 striking “2006” and inserting “2008”.

17 (2) AMENDMENTS RELATED TO SECTION 1351
18 OF THE ACT.—Subparagraphs (A)(ii) and (B)(ii) of
19 section 41(f)(1) are each amended by striking
20 “qualified research expenses and basic research pay-
21 ments” and inserting “qualified research expenses,
22 basic research payments, and amounts paid or in-
23 curred to energy research consortiums,”.

24 (3) EFFECTIVE DATE.—The amendments made
25 by this subsection shall take effect as if included in

1 the provisions of the Energy Policy Act of 2005 to
2 which they relate.

3 (f) CLERICAL AMENDMENTS RELATED TO THE
4 AMERICAN JOBS CREATION ACT OF 2004.—

5 (1) AMENDMENT RELATED TO SECTION 301 OF
6 THE ACT.—Section 9502 is amended by striking
7 subsection (e) and redesignating subsection (f) as
8 subsection (e).

9 (2) AMENDMENT RELATED TO SECTION 413 OF
10 THE ACT.—Subsection (b) of section 1298 is amend-
11 ed by striking paragraph (7) and by redesignating
12 paragraphs (8) and (9) as paragraphs (7) and (8),
13 respectively.

14 (3) AMENDMENT RELATED TO SECTION 895 OF
15 THE ACT.—Clause (iv) of section 904(f)(3)(D) is
16 amended by striking “a controlled group” and in-
17 serting “an affiliated group”.

18 (4) EFFECTIVE DATE.—The amendments made
19 by this subsection shall take effect as if included in
20 the provisions of the American Jobs Creation Act of
21 2004 to which they relate.

22 (g) CLERICAL AMENDMENTS RELATED TO THE FSC
23 REPEAL AND EXTRATERRITORIAL INCOME EXCLUSION
24 ACT OF 2000.—

1 (1) Subclause (I) of section 56(g)(4)(C)(ii) is
2 amended by striking “921” and inserting “921 (as
3 in effect before its repeal by the FSC Repeal and
4 Extraterritorial Income Exclusion Act of 2000)”.

5 (2) Clause (iv) of section 54(g)(4)(C) is amend-
6 ed by striking “a cooperative described in section
7 927(a)(4)” and inserting “an organization to which
8 part I of subchapter T (relating to tax treatment of
9 cooperatives) applies which is engaged in the mar-
10 keting of agricultural or horticultural products”.

11 (3) Paragraph (4) of section 245(c) is amended
12 by adding at the end the following new subpara-
13 graph:

14 “(C) FSC.—The term ‘FSC’ has the
15 meaning given such term by section 922.”.

16 (4) Subsection (c) of section 245 is amended by
17 inserting at the end the following new paragraph:

18 “(5) REFERENCES TO PRIOR LAW.—Any ref-
19 erence in this subsection to section 922, 923, or 927
20 shall be treated as a reference to such section as in
21 effect before its repeal by the FSC Repeal and
22 Extraterritorial Income Exclusion Act of 2000.”.

23 (5) Paragraph (4) of section 275(a) is amended
24 by striking “if” and all that follows and inserting “if

1 the taxpayer chooses to take to any extent the bene-
2 fits of section 901.”.

3 (6)(A) Subsection (a) of section 291 is amended
4 by striking paragraph (4) and by redesignating
5 paragraph (5) as paragraph (4).

6 (B) Paragraph (1) of section 291(c) is amended
7 by striking “subsection (a)(5)” and inserting “sub-
8 section (a)(4)”.

9 (7)(A) Paragraph (4) of section 441(b) is
10 amended by striking “FSC or”.

11 (B) Subsection (h) of section 441 is amended—

12 (i) by striking “FSC or” each place it ap-
13 pears, and

14 (ii) by striking “FSC’S AND” in the head-
15 ing thereof.

16 (8) Subparagraph (B) of section 884(d)(2) is
17 amended by inserting before the comma “(as in ef-
18 fect before their repeal by the FSC Repeal and
19 Extraterritorial Income Exclusion Act of 2000)”.

20 (9) Section 901 is amended by striking sub-
21 section (h).

22 (10) Clause (v) of section 904(d)(2)(B) is
23 amended—

1 (A) by inserting “and” at the end of sub-
2 clause (I), by striking subclause (II), and by re-
3 designating subclause (III) as subclause (II),

4 (B) by striking “a FSC (or a former
5 FSC)” in subclause (II) (as so redesignated)
6 and inserting “a former FSC (as defined in sec-
7 tion 922)”, and

8 (C) by adding at the end the following:

9 “Any reference in subclause (II) to section
10 922, 923, or 927 shall be treated as a ref-
11 erence to such section as in effect before
12 its repeal by the FSC Repeal and
13 Extraterritorial Income Exclusion Act of
14 2000.”.

15 (11) Subsection (b) of section 906 is amended
16 by striking paragraph (5) and redesignating para-
17 graphs (6) and (7) as paragraphs (5) and (6), re-
18 spectively.

19 (12) Subparagraph (B) of section 936(f)(2) is
20 amended by striking “FSC or”.

21 (13) Section 951 is amended by striking sub-
22 section (e) and by redesignating subsection (d) as
23 subsection (e).

24 (14) Subsection (b) of section 952 is amended
25 by striking the second sentence.

1 (15)(A) Paragraph (2) of section 956(c) is
2 amended—

3 (i) by striking subparagraph (I) and by re-
4 designating subparagraphs (J) through (M) as
5 subparagraphs (I) through (L), respectively,
6 and

7 (ii) by striking “subparagraphs (J), (K),
8 and (L)” in the flush sentence at the end and
9 inserting “subparagraphs (I), (J), and (K)”.

10 (B) Clause (ii) of section 954(c)(2)(C) is
11 amended by striking “section 956(c)(2)(J)” and in-
12 serting “section 956(c)(2)(I)”.

13 (16) Paragraph (1) of section 992(a) is amend-
14 ed by striking subparagraph (E), by inserting “and”
15 at the end of subparagraph (C), and by striking “,
16 and” at the end of subparagraph (D) and inserting
17 a period.

18 (17) Paragraph (5) of section 1248(d) is
19 amended—

20 (A) by inserting “(as defined in section
21 922)” after “a FSC”, and

22 (B) by adding at the end the following new
23 sentence: “Any reference in this paragraph to
24 section 922, 923, or 927 shall be treated as a
25 reference to such section as in effect before its

1 repeal by the FSC Repeal and Extraterritorial
2 Income Exclusion Act of 2000.”.

3 (18) Subparagraph (D) of section 1297(b)(2) is
4 amended by striking “foreign trade income of a FSC
5 or”.

6 (19)(A) Paragraph (1) of section 6011(c) is
7 amended by striking “or former DISC or a FSC or
8 former FSC” and inserting “, former DISC, or
9 former FSC (as defined in section 922 as in effect
10 before its repeal by the FSC Repeal and
11 Extraterritorial Income Exclusion Act of 2000)”.

12 (B) Subsection (c) of section 6011 is amended
13 by striking “AND FSC’S” in the heading thereof.

14 (20) Subsection (e) of section 6072 is amended
15 by striking “a FSC or former FSC” and inserting
16 “a former FSC (as defined in section 922 as in ef-
17 fect before its repeal by the FSC Repeal and
18 Extraterritorial Income Exclusion Act of 2000)”.

19 (21) Section 6686 is amended by inserting
20 “FORMER” before “FSC” in the heading thereof.

1 **TITLE IV—PARITY IN APPLICA-**
2 **TION OF CERTAIN LIMITS TO**
3 **MENTAL HEALTH BENEFITS**

4 **SEC. 401. PARITY IN APPLICATION OF CERTAIN LIMITS TO**
5 **MENTAL HEALTH BENEFITS.**

6 (a) AMENDMENT TO THE INTERNAL REVENUE CODE
7 OF 1986.—Section 9812(f)(3) of the Internal Revenue
8 Code of 1986 is amended by striking “2007” and inserting
9 “2008”.

10 (b) AMENDMENT TO THE EMPLOYEE RETIREMENT
11 INCOME SECURITY ACT OF 1974.—Section 712(f) of the
12 Employee Retirement Income Security Act of 1974 (29
13 U.S.C. 1185a(f)) is amended by striking “2007” and in-
14 serting “2008”.

15 (c) AMENDMENT TO THE PUBLIC HEALTH SERVICE
16 ACT.—Section 2705(f) of the Public Health Service Act
17 (42 U.S.C. 300gg-5(f)) is amended by striking “2007”
18 and inserting “2008”.

19 (d) EFFECTIVE DATE.—The amendments made by
20 this section shall apply to benefits for services furnished
21 after December 31, 2007.