

1 **TITLE III—TAX PROVISIONS**

2 **SEC. 301. GAIN OR LOSS FROM SALE OR EXCHANGE OF**
3 **CERTAIN PREFERRED STOCK.**

4 (a) **IN GENERAL.**—For purposes of the Internal Rev-
5 enue Code of 1986, gain or loss from the sale or exchange
6 of any applicable preferred stock by any applicable finan-
7 cial institution shall be treated as ordinary income or loss.

8 (b) **APPLICABLE PREFERRED STOCK.**—For purposes
9 of this section, the term “applicable preferred stock”
10 means any stock—

11 (1) which is preferred stock in—

12 (A) the Federal National Mortgage Asso-
13 ciation, established pursuant to the Federal Na-
14 tional Mortgage Association Charter Act (12
15 U.S.C. 1716 et seq.), or

16 (B) the Federal Home Loan Mortgage
17 Corporation, established pursuant to the Fed-
18 eral Home Loan Mortgage Corporation Act (12
19 U.S.C. 1451 et seq.), and

20 (2) which—

21 (A) was held by the applicable financial in-
22 stitution on September 6, 2008, or

1 (B) was sold or exchanged by the applica-
2 ble financial institution on or after January 1,
3 2008, and before September 7, 2008.

4 (c) APPLICABLE FINANCIAL INSTITUTION.—For pur-
5 poses of this section:

6 (1) IN GENERAL.—Except as provided in para-
7 graph (2), the term “applicable financial institution”
8 means—

9 (A) a financial institution referred to in
10 section 582(c)(2) of the Internal Revenue Code
11 of 1986, or

12 (B) a depository institution holding com-
13 pany (as defined in section 3(w)(1) of the Fed-
14 eral Deposit Insurance Act (12 U.S.C.
15 1813(w)(1))).

16 (2) SPECIAL RULES FOR CERTAIN SALES.—In
17 the case of—

18 (A) a sale or exchange described in sub-
19 section (b)(2)(B), an entity shall be treated as
20 an applicable financial institution only if it was
21 an entity described in subparagraph (A) or (B)
22 of paragraph (1) at the time of the sale or ex-
23 change, and

24 (B) a sale or exchange after September 6,
25 2008, of preferred stock described in subsection

1 (b)(2)(A), an entity shall be treated as an appli-
2 cable financial institution only if it was an enti-
3 ty described in subparagraph (A) or (B) of
4 paragraph (1) at all times during the period be-
5 ginning on September 6, 2008, and ending on
6 the date of the sale or exchange of the pre-
7 ferred stock.

8 (d) SPECIAL RULE FOR CERTAIN PROPERTY NOT
9 HELD ON SEPTEMBER 6, 2008.—The Secretary of the
10 Treasury or the Secretary’s delegate may extend the appli-
11 cation of this section to all or a portion of the gain or
12 loss from a sale or exchange in any case where—

13 (1) an applicable financial institution sells or
14 exchanges applicable preferred stock after Sep-
15 tember 6, 2008, which the applicable financial insti-
16 tution did not hold on such date, but the basis of
17 which in the hands of the applicable financial insti-
18 tution at the time of the sale or exchange is the
19 same as the basis in the hands of the person which
20 held such stock on such date, or

21 (2) the applicable financial institution is a part-
22 ner in a partnership which—

23 (A) held such stock on September 6, 2008,
24 and later sold or exchanged such stock, or

1 (B) sold or exchanged such stock during
2 the period described in subsection (b)(2)(B).

3 (e) REGULATORY AUTHORITY.—The Secretary of the
4 Treasury or the Secretary’s delegate may prescribe such
5 guidance, rules, or regulations as are necessary to carry
6 out the purposes of this section.

7 (f) EFFECTIVE DATE.—This section shall apply to
8 sales or exchanges occurring after December 31, 2007, in
9 taxable years ending after such date.

10 **SEC. 302. SPECIAL RULES FOR TAX TREATMENT OF EXECU-**
11 **TIVE COMPENSATION OF EMPLOYERS PAR-**
12 **TICIPATING IN THE TROUBLED ASSETS RE-**
13 **LIEF PROGRAM.**

14 (a) DENIAL OF DEDUCTION.—Subsection (m) of sec-
15 tion 162 of the Internal Revenue Code of 1986 is amended
16 by adding at the end the following new paragraph:

17 “(5) SPECIAL RULE FOR APPLICATION TO EM-
18 PLOYERS PARTICIPATING IN THE TROUBLED ASSETS
19 RELIEF PROGRAM.—

20 “(A) IN GENERAL.—In the case of an ap-
21 plicable employer, no deduction shall be allowed
22 under this chapter—

23 “(i) in the case of executive remunera-
24 tion for any applicable taxable year which
25 is attributable to services performed by a

1 covered executive during such applicable
2 taxable year, to the extent that the amount
3 of such remuneration exceeds \$500,000, or
4 “(ii) in the case of deferred deduction
5 executive remuneration for any taxable
6 year for services performed during any ap-
7 plicable taxable year by a covered execu-
8 tive, to the extent that the amount of such
9 remuneration exceeds \$500,000 reduced
10 (but not below zero) by the sum of—

11 “(I) the executive remuneration
12 for such applicable taxable year, plus

13 “(II) the portion of the deferred
14 deduction executive remuneration for
15 such services which was taken into ac-
16 count under this clause in a preceding
17 taxable year.

18 “(B) APPLICABLE EMPLOYER.—For pur-
19 poses of this paragraph—

20 “(i) IN GENERAL.—Except as pro-
21 vided in clause (ii), the term ‘applicable
22 employer’ means any employer from whom
23 1 or more troubled assets are acquired
24 under a program established by the Sec-
25 retary under section 101(a) of the Emer-

1 gency Economic Stabilization Act of 2008
2 if the aggregate amount of the assets so
3 acquired for all taxable years exceeds
4 \$300,000,000.

5 “(ii) DISREGARD OF CERTAIN ASSETS
6 SOLD THROUGH DIRECT PURCHASE.—If
7 the only sales of troubled assets by an em-
8 ployer under the program described in
9 clause (i) are through 1 or more direct
10 purchases (within the meaning of section
11 113(c) of the Emergency Economic Sta-
12 bilization Act of 2008), such assets shall
13 not be taken into account under clause (i)
14 in determining whether the employer is an
15 applicable employer for purposes of this
16 paragraph.

17 “(iii) AGGREGATION RULES.—Two or
18 more persons who are treated as a single
19 employer under subsection (b) or (c) of
20 section 414 shall be treated as a single em-
21 ployer, except that in applying section
22 1563(a) for purposes of either such sub-
23 section, paragraphs (2) and (3) thereof
24 shall be disregarded.

1 “(C) APPLICABLE TAXABLE YEAR.—For
2 purposes of this paragraph, the term ‘applicable
3 taxable year’ means, with respect to any em-
4 ployer—

5 “(i) the first taxable year of the em-
6 ployer—

7 “(I) which includes any portion
8 of the period during which the au-
9 thorities under section 101(a) of the
10 Emergency Economic Stabilization
11 Act of 2008 are in effect (determined
12 under section 120 thereof), and

13 “(II) in which the aggregate
14 amount of troubled assets acquired
15 from the employer during the taxable
16 year pursuant to such authorities
17 (other than assets to which subpara-
18 graph (B)(ii) applies), when added to
19 the aggregate amount so acquired for
20 all preceding taxable years, exceeds
21 \$300,000,000, and

22 “(ii) any subsequent taxable year
23 which includes any portion of such period.

24 “(D) COVERED EXECUTIVE.—For pur-
25 poses of this paragraph—

1 “(i) IN GENERAL.—The term ‘covered
2 executive’ means, with respect to any ap-
3 plicable taxable year, any employee—

4 “(I) who, at any time during the
5 portion of the taxable year during
6 which the authorities under section
7 101(a) of the Emergency Economic
8 Stabilization Act of 2008 are in effect
9 (determined under section 120 there-
10 of), is the chief executive officer of the
11 applicable employer or the chief finan-
12 cial officer of the applicable employer,
13 or an individual acting in either such
14 capacity, or

15 “(II) who is described in clause
16 (ii).

17 “(ii) HIGHEST COMPENSATED EM-
18 PLOYEES.—An employee is described in
19 this clause if the employee is 1 of the 3
20 highest compensated officers of the appli-
21 cable employer for the taxable year (other
22 than an individual described in clause
23 (i)(I)), determined—

24 “(I) on the basis of the share-
25 holder disclosure rules for compensa-

1 tion under the Securities Exchange
2 Act of 1934 (without regard to wheth-
3 er those rules apply to the employer),
4 and

5 “(II) by only taking into account
6 employees employed during the por-
7 tion of the taxable year described in
8 clause (i)(I).

9 “(iii) EMPLOYEE REMAINS COVERED
10 EXECUTIVE.—If an employee is a covered
11 executive with respect to an applicable em-
12 ployer for any applicable taxable year, such
13 employee shall be treated as a covered ex-
14 ecutive with respect to such employer for
15 all subsequent applicable taxable years and
16 for all subsequent taxable years in which
17 deferred deduction executive remuneration
18 with respect to services performed in all
19 such applicable taxable years would (but
20 for this paragraph) be deductible.

21 “(E) EXECUTIVE REMUNERATION.—For
22 purposes of this paragraph, the term ‘executive
23 remuneration’ means the applicable employee
24 remuneration of the covered executive, as deter-
25 mined under paragraph (4) without regard to

1 subparagraphs (B), (C), and (D) thereof. Such
2 term shall not include any deferred deduction
3 executive remuneration with respect to services
4 performed in a prior applicable taxable year.

5 “(F) DEFERRED DEDUCTION EXECUTIVE
6 REMUNERATION.—For purposes of this para-
7 graph, the term ‘deferred deduction executive
8 remuneration’ means remuneration which would
9 be executive remuneration for services per-
10 formed in an applicable taxable year but for the
11 fact that the deduction under this chapter (de-
12 termined without regard to this paragraph) for
13 such remuneration is allowable in a subsequent
14 taxable year.

15 “(G) COORDINATION.—Rules similar to
16 the rules of subparagraphs (F) and (G) of para-
17 graph (4) shall apply for purposes of this para-
18 graph.

19 “(H) REGULATORY AUTHORITY.—The Sec-
20 retary may prescribe such guidance, rules, or
21 regulations as are necessary to carry out the
22 purposes of this paragraph and the Emergency
23 Economic Stabilization Act of 2008, including
24 the extent to which this paragraph applies in

1 the case of any acquisition, merger, or reorga-
2 nization of an applicable employer.”.

3 (b) GOLDEN PARACHUTE RULE.—Section 280G of
4 the Internal Revenue Code of 1986 is amended—

5 (1) by redesignating subsection (e) as sub-
6 section (f), and

7 (2) by inserting after subsection (d) the fol-
8 lowing new subsection:

9 “(e) SPECIAL RULE FOR APPLICATION TO EMPLOY-
10 ERS PARTICIPATING IN THE TROUBLED ASSETS RELIEF
11 PROGRAM.—

12 “(1) IN GENERAL.—In the case of the sever-
13 ance from employment of a covered executive of an
14 applicable employer during the period during which
15 the authorities under section 101(a) of the Emer-
16 gency Economic Stabilization Act of 2008 are in ef-
17 fect (determined under section 120 of such Act), this
18 section shall be applied to payments to such execu-
19 tive with the following modifications:

20 “(A) Any reference to a disqualified indi-
21 vidual (other than in subsection (c)) shall be
22 treated as a reference to a covered executive.

23 “(B) Any reference to a change described
24 in subsection (b)(2)(A)(i) shall be treated as a
25 reference to an applicable severance from em-

1 ployment of a covered executive, and any ref-
2 erence to a payment contingent on such a
3 change shall be treated as a reference to any
4 payment made during an applicable taxable
5 year of the employer on account of such appli-
6 cable severance from employment.

7 “(C) Any reference to a corporation shall
8 be treated as a reference to an applicable em-
9 ployer.

10 “(D) The provisions of subsections
11 (b)(2)(C), (b)(4), (b)(5), and (d)(5) shall not
12 apply.

13 “(2) DEFINITIONS AND SPECIAL RULES.—For
14 purposes of this subsection:

15 “(A) DEFINITIONS.—Any term used in
16 this subsection which is also used in section
17 162(m)(5) shall have the meaning given such
18 term by such section.

19 “(B) APPLICABLE SEVERANCE FROM EM-
20 PLOYMENT.—The term ‘applicable severance
21 from employment’ means any severance from
22 employment of a covered executive—

23 “(i) by reason of an involuntary ter-
24 mination of the executive by the employer,
25 or

1 “(ii) in connection with any bank-
2 ruptcy, liquidation, or receivership of the
3 employer.

4 “(C) COORDINATION AND OTHER
5 RULES.—

6 “(i) IN GENERAL.—If a payment
7 which is treated as a parachute payment
8 by reason of this subsection is also a para-
9 chute payment determined without regard
10 to this subsection, this subsection shall not
11 apply to such payment.

12 “(ii) REGULATORY AUTHORITY.—The
13 Secretary may prescribe such guidance,
14 rules, or regulations as are necessary—

15 “(I) to carry out the purposes of
16 this subsection and the Emergency
17 Economic Stabilization Act of 2008,
18 including the extent to which this sub-
19 section applies in the case of any ac-
20 quisition, merger, or reorganization of
21 an applicable employer,

22 “(II) to apply this section and
23 section 4999 in cases where one or
24 more payments with respect to any in-
25 dividual are treated as parachute pay-

1 ments by reason of this subsection,
2 and other payments with respect to
3 such individual are treated as para-
4 chute payments under this section
5 without regard to this subsection, and
6 “(III) to prevent the avoidance of
7 the application of this section through
8 the mischaracterization of a severance
9 from employment as other than an
10 applicable severance from employ-
11 ment.”.

12 (c) EFFECTIVE DATES.—

13 (1) IN GENERAL.—The amendment made by
14 subsection (a) shall apply to taxable years ending on
15 or after the date of the enactment of this Act.

16 (2) GOLDEN PARACHUTE RULE.—The amend-
17 ments made by subsection (b) shall apply to pay-
18 ments with respect to severances occurring during
19 the period during which the authorities under sec-
20 tion 101(a) of this Act are in effect (determined
21 under section 120 of this Act).

1 **SEC. 303. EXTENSION OF EXCLUSION OF INCOME FROM**
2 **DISCHARGE OF QUALIFIED PRINCIPAL RESI-**
3 **DENCE INDEBTEDNESS.**

4 (a) **EXTENSION.**—Subparagraph (E) of section
5 108(a)(1) of the Internal Revenue Code of 1986 is amend-
6 ed by striking “January 1, 2010” and inserting “January
7 1, 2013”.

8 (b) **EFFECTIVE DATE.**—The amendment made by
9 this subsection shall apply to discharges of indebtedness
10 occurring on or after January 1, 2010.