

# Union Calendar No. 268

110TH CONGRESS  
1ST SESSION

# H. R. 3997

[Report No. 110-426]

To amend the Internal Revenue Code of 1986 to provide earnings assistance and tax relief to members of the uniformed services, volunteer firefighters, and Peace Corps volunteers, and for other purposes.

---

## IN THE HOUSE OF REPRESENTATIVES

OCTOBER 30, 2007

Mr. RANGEL introduced the following bill; which was referred to the Committee on Ways and Means

NOVEMBER 5, 2007

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in italics]

[For text of introduced bill, see copy of bill as introduced on October 30, 2007]

---

## A BILL

To amend the Internal Revenue Code of 1986 to provide earnings assistance and tax relief to members of the uniformed services, volunteer firefighters, and Peace Corps volunteers, and for other purposes.

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

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

2 (a) *SHORT TITLE.*—*This Act may be cited as the “Heroes*  
 3 *Earnings Assistance and Relief Tax Act of 2007”.*

4 (b) *REFERENCE.*—*Except as otherwise expressly pro-*  
 5 *vided, whenever in this Act an amendment or repeal is ex-*  
 6 *pressed in terms of an amendment to, or repeal of, a section*  
 7 *or other provision, the reference shall be considered to be*  
 8 *made to a section or other provision of the Internal Revenue*  
 9 *Code of 1986.*

10 (c) *TABLE OF CONTENTS.*—*The table of contents for*  
 11 *this Act is as follows:*

*Sec. 1. Short title, etc.*

**TITLE I—BENEFITS FOR MILITARY AND VOLUNTEER  
 FIREFIGHTERS**

*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. Exclusion from income for benefits provided to volunteer firefighters and  
 emergency medical responders.*

*Sec. 106. Special period of limitation when uniformed services retired pay is re-  
 duced as a result of award of disability compensation.*

*Sec. 107. Distributions from retirement plans to individuals called to active duty.*

*Sec. 108. Disclosure of return information relating to veterans programs made  
 permanent.*

*Sec. 109. Contributions of military death gratuities to Roth IRAs and Education  
 Savings Accounts.*

*Sec. 110. Suspension of 5-year period during service with the Peace Corps.*

**TITLE II—IMPROVEMENTS IN SUPPLEMENTAL SECURITY INCOME**

*Sec. 201. Treatment of uniformed service cash remuneration as earned income.*

*Sec. 202. State annuities for blind veterans to be disregarded in determining sup-  
 plemental security income benefits.*

*Sec. 203. Exclusion of AmeriCorps benefits for purposes of determining supple-  
 mental security income eligibility and benefit amounts.*

*Sec. 204. Effective date.*

## TITLE III—REVENUE PROVISIONS

*Sec. 301. Modification of penalty for failure to file partnership returns.*

*Sec. 302. Penalty for failure to file S corporation returns.*

*Sec. 303. Increase in information return penalties.*

*Sec. 304. Increase in minimum penalty on failure to file a return of tax.*

1 **TITLE I—BENEFITS FOR MILI-**  
 2 **TARY AND VOLUNTEER FIRE-**  
 3 **FIGHTERS**

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

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

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

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

16 (c) *EFFECTIVE DATE.*—The amendment made by this  
 17 *section shall apply to taxable years ending after December*  
 18 *31, 2007.*

19 **SEC. 102. MODIFICATION OF MORTGAGE REVENUE BONDS**  
 20 **FOR VETERANS.**

21 (a) *QUALIFIED MORTGAGE BONDS USED TO FINANCE*  
 22 *RESIDENCES FOR VETERANS WITHOUT REGARD TO FIRST-*

1 *TIME HOMEBUYER REQUIREMENT.*—Subparagraph (D) of  
 2 section 143(d)(2) (relating to exceptions) is amended by  
 3 striking “and before January 1, 2008”.

4 (b) *INCREASE IN BOND LIMITATION FOR ALASKA, OR-*  
 5 *EGON, AND WISCONSIN.*—Clause (ii) of section 143(l)(3)(B)  
 6 (relating to State veterans limit) is amended by striking  
 7 “\$25,000,000” each place it appears and inserting  
 8 “\$100,000,000”.

9 (c) *DEFINITION OF QUALIFIED VETERAN.*—Paragraph  
 10 (4) of section 143(l) (defining qualified veteran) is amended  
 11 to read as follows:

12 “(4) *QUALIFIED VETERAN.*—For purposes of this  
 13 subsection, the term ‘qualified veteran’ means any  
 14 veteran who—

15 “(A) served on active duty, and

16 “(B) applied for the financing before the  
 17 date 25 years after the last date on which such  
 18 veteran left active service.”.

19 (d) *EFFECTIVE DATE.*—The amendments made by this  
 20 section shall apply to bonds issued after December 31, 2007.

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

23 (a) *PLAN QUALIFICATION REQUIREMENT FOR DEATH*  
 24 *BENEFITS UNDER USERRA-QUALIFIED ACTIVE MILITARY*  
 25 *SERVICE.*—Subsection (a) of section 401 (relating to re-

1 *quirements for qualification) is amended by inserting after*  
2 *paragraph (36) the following new paragraph:*

3           “(37) *DEATH BENEFITS UNDER USERRA-QUALI-*  
4 *FIED ACTIVE MILITARY SERVICE.—A trust shall not*  
5 *constitute a qualified trust unless the plan provides*  
6 *that, in the case of a participant who dies while per-*  
7 *forming qualified military service (as defined in sec-*  
8 *tion 414(u)), the survivors of the participant are enti-*  
9 *tled to any additional benefits (other than benefit ac-*  
10 *cruals relating to the period of qualified military*  
11 *service) provided under the plan had the participant*  
12 *resumed and then terminated employment on account*  
13 *of death.”.*

14           *(b) TREATMENT IN THE CASE OF DEATH OR DIS-*  
15 *ABILITY RESULTING FROM ACTIVE MILITARY SERVICE FOR*  
16 *BENEFIT ACCRUAL PURPOSES.—Subsection (u) of section*  
17 *414 (relating to special rules relating to veterans’ reemploy-*  
18 *ment rights under USERRA) is amended by redesignating*  
19 *paragraphs (9) and (10) as paragraphs (10) and (11), re-*  
20 *spectively, and by inserting after paragraph (8) the fol-*  
21 *lowing new paragraph:*

22           “(9) *TREATMENT IN THE CASE OF DEATH OR*  
23 *DISABILITY RESULTING FROM ACTIVE MILITARY SERV-*  
24 *ICE.—*

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

21           “(B) *NONDISCRIMINATION REQUIREMENT.*—  
22 Subparagraph (A) shall apply only if all indi-  
23 viduals performing qualified military service  
24 with respect to the employer maintaining the  
25 plan (as determined under subsections (b), (c),

1           (m), and (o)) who die or became disabled as a  
2           result of performing qualified military service  
3           prior to reemployment by the employer are cred-  
4           ited with service and benefits on reasonably  
5           equivalent terms.

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

14                 “(i) the 12-month period of service  
15                 with the employer immediately prior to  
16                 qualified military service, or

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

21          (c) CONFORMING AMENDMENTS.—

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

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

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

6           (3) *Section 457(g) is amended by adding at the*  
7           *end the following new paragraph:*

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

13           (d) *EFFECTIVE DATE.*—

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

17           (2) *PROVISIONS RELATING TO PLAN AMEND-*  
18           *MENTS.*—

19           (A) *IN GENERAL.*—*If this subparagraph ap-*  
20           *plies to any plan or contract amendment, such*  
21           *plan or contract shall be treated as being oper-*  
22           *ated in accordance with the terms of the plan*  
23           *during the period described in subparagraph*  
24           *(B)(iii).*



1                   (B) AMENDMENTS TO WHICH SUBPARA-  
2                   GRAPH (A) APPLIES.—

3                   (i) IN GENERAL.—Subparagraph (A)  
4                   shall apply to any amendment to any plan  
5                   or annuity contract which is made—

6                   (I) pursuant to the amendments  
7                   made by subsection (a) or pursuant to  
8                   any regulation issued by the Secretary  
9                   of the Treasury under subsection (a),  
10                  and

11                  (II) on or before the last day of  
12                  the first plan year beginning on or  
13                  after January 1, 2009.

14                  In the case of a governmental plan (as de-  
15                  fined in section 414(d) of the Internal Rev-  
16                  enue Code of 1986), this clause shall be ap-  
17                  plied by substituting “2011” for “2009” in  
18                  subclause (II).

19                  (ii) CONDITIONS.—This paragraph  
20                  shall not apply to any amendment unless—

21                  (I) the plan or contract is oper-  
22                  ated as if such plan or contract  
23                  amendment were in effect for the pe-  
24                  riod described in clause (iii), and

1                   (ii) such plan or contract amend-  
2                   ment applies retroactively for such pe-  
3                   riod.

4                   (iii) *PERIOD DESCRIBED.*—The period  
5                   described in this clause is the period—

6                   (I) beginning on the effective date  
7                   specified by the plan, and

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

12 **SEC. 104. TREATMENT OF DIFFERENTIAL MILITARY PAY AS**  
13 **WAGES.**

14           (a) *INCOME TAX WITHHOLDING ON DIFFERENTIAL*  
15 *WAGE PAYMENTS.*—

16           (1) *IN GENERAL.*—Section 3401 (relating to defi-  
17           nitions) is amended by adding at the end the fol-  
18           lowing new subsection:

19           “(h) *DIFFERENTIAL WAGE PAYMENTS TO ACTIVE*  
20 *DUTY MEMBERS OF THE UNIFORMED SERVICES.*—

21           “(1) *IN GENERAL.*—For purposes of subsection  
22           (a), any differential wage payment shall be treated as  
23           a payment of wages by the employer to the employee.

1           “(2) *DIFFERENTIAL WAGE PAYMENT.*—For pur-  
2           poses of paragraph (1), the term ‘differential wage  
3           payment’ means any payment which—

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

10                   “(B) represents all or a portion of the wages  
11                   the individual would have received from the em-  
12                   ployer if the individual were performing service  
13                   for the employer.”.

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

17           (b) *TREATMENT OF DIFFERENTIAL WAGE PAYMENTS*  
18 *FOR RETIREMENT PLAN PURPOSES.*—

19                   (1) *PENSION PLANS.*—

20                           (A) *IN GENERAL.*—Section 414(u) (relating  
21                           to special rules relating to veterans’ reemploy-  
22                           ment rights under *USERRA*), as amended by  
23                           section 103(b), is amended by adding at the end  
24                           the following new paragraph:

1           “(12) *TREATMENT OF DIFFERENTIAL WAGE PAY-*  
2           *MENTS.—*

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

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

11                  “(ii) *the differential wage payment*  
12                  *shall be treated as compensation, and*

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

18           “(B) *SPECIAL RULE FOR DISTRIBUTIONS.—*

19                  “(i) *IN GENERAL.—Notwithstanding*  
20                  *subparagraph (A)(i), for purposes of section*  
21                  *401(k)(2)(B)(i)(I),           403(b)(7)(A)(ii),*  
22                  *403(b)(11)(A), or 457(d)(1)(A)(ii), an indi-*  
23                  *vidual shall be treated as having been sev-*  
24                  *ered from employment during any period*  
25                  *the individual is performing service in the*

1           *uniformed services described in section*  
2           *3401(h)(2)(A).*

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

10          “(C) *NONDISCRIMINATION REQUIREMENT.*—  
11          *Subparagraph (A)(iii) shall apply only if all*  
12          *employees of an employer (as determined under*  
13          *subsections (b), (c), (m), and (o)) performing*  
14          *service in the uniformed services described in sec-*  
15          *tion 3401(h)(2)(A) are entitled to receive dif-*  
16          *ferential wage payments on reasonably equiva-*  
17          *lent terms and, if eligible to participate in a re-*  
18          *irement plan maintained by the employer, to*  
19          *make contributions based on the payments on*  
20          *reasonably equivalent terms. For purposes of ap-*  
21          *plying this subparagraph, the provisions of*  
22          *paragraphs (3), (4), and (5) of section 410(b)*  
23          *shall apply.*

24          “(D) *DIFFERENTIAL WAGE PAYMENT.*—*For*  
25          *purposes of this paragraph, the term ‘differential*

1           *wage payment’ has the meaning given such term*  
2           *by section 3401(h)(2).”.*

3           *(B) CONFORMING AMENDMENT.—The head-*  
4           *ing for section 414(u) is amended by inserting*  
5           *“AND TO DIFFERENTIAL WAGE PAYMENTS TO*  
6           *MEMBERS ON ACTIVE DUTY” after “USERRA”.*

7           *(2) DIFFERENTIAL WAGE PAYMENTS TREATED AS*  
8           *COMPENSATION FOR INDIVIDUAL RETIREMENT*  
9           *PLANS.—Section 219(f)(1) (defining compensation) is*  
10          *amended by adding at the end the following new sen-*  
11          *tence: “The term compensation includes any differen-*  
12          *tial wage payment (as defined in section*  
13          *3401(h)(2)).”.*

14          *(3) EFFECTIVE DATE.—The amendments made*  
15          *by this subsection shall apply to years beginning after*  
16          *December 31, 2007.*

17          *(c) PROVISIONS RELATING TO PLAN AMENDMENTS.—*

18                  *(1) IN GENERAL.—If this subsection applies to*  
19                  *any plan or annuity contract amendment, such plan*  
20                  *or contract shall be treated as being operated in ac-*  
21                  *cordance with the terms of the plan or contract dur-*  
22                  *ing the period described in paragraph (2)(B)(i).*

23                  *(2) AMENDMENTS TO WHICH SECTION AP-*  
24                  *PLIES.—*

1           (A) *IN GENERAL.*—*This subsection shall*  
2 *apply to any amendment to any plan or annu-*  
3 *ity contract which is made—*

4                   (i) *pursuant to any amendment made*  
5 *by subsection (b)(1), and*

6                   (ii) *on or before the last day of the first*  
7 *plan year beginning on or after January 1,*  
8 *2009.*

9 *In the case of a governmental plan (as defined*  
10 *in section 414(d) of the Internal Revenue Code*  
11 *of 1986), this subparagraph shall be applied by*  
12 *substituting “2011” for “2009” in clause (ii).*

13           (B) *CONDITIONS.*—*This subsection shall not*  
14 *apply to any plan or annuity contract amend-*  
15 *ment unless—*

16                   (i) *during the period beginning on the*  
17 *date the amendment described in subpara-*  
18 *graph (A)(i) takes effect and ending on the*  
19 *date described in subparagraph (A)(ii) (or,*  
20 *if earlier, the date the plan or contract*  
21 *amendment is adopted), the plan or con-*  
22 *tract is operated as if such plan or contract*  
23 *amendment were in effect, and*

24                   (ii) *such plan or contract amendment*  
25 *applies retroactively for such period.*

1 **SEC. 105. EXCLUSION FROM INCOME FOR BENEFITS PRO-**  
2 **VIDED TO VOLUNTEER FIREFIGHTERS AND**  
3 **EMERGENCY MEDICAL RESPONDERS.**

4 (a) *IN GENERAL.*—Part III of subchapter B of chapter  
5 1 (relating to items specifically excluded from gross income)  
6 is amended by inserting after section 139A the following  
7 new section:

8 **“SEC. 139B. BENEFITS PROVIDED TO VOLUNTEER FIRE-**  
9 **FIGHTERS AND EMERGENCY MEDICAL RE-**  
10 **SPONDERS.**

11 “(a) *IN GENERAL.*—In the case of any member of a  
12 qualified volunteer emergency response organization, gross  
13 income shall not include—

14 “(1) any qualified State and local tax benefit,  
15 and

16 “(2) any qualified payment.

17 “(b) *DENIAL OF DOUBLE BENEFITS.*—In the case of  
18 any member of a qualified volunteer emergency response or-  
19 ganization—

20 “(1) the deduction under 164 shall be determined  
21 with regard to any qualified State and local tax ben-  
22 efit, and

23 “(2) expenses paid or incurred by the taxpayer  
24 in connection with the performance of services as such  
25 a member shall be taken into account under section  
26 170 only to the extent such expenses exceed the



1       *amount of any qualified payment excluded from gross*  
2       *income under subsection (a).*

3       “(c) *DEFINITIONS.—For purposes of this section—*

4               “(1) *QUALIFIED STATE AND LOCAL TAX BEN-*  
5       *EFIT.—The term ‘qualified state and local tax benefit’*  
6       *means any reduction or rebate of a tax described in*  
7       *paragraph (1), (2), or (3) of section 164(a) provided*  
8       *by a State or political division thereof on account of*  
9       *services performed as a member of a qualified volun-*  
10       *teer emergency response organization.*

11              “(2) *QUALIFIED PAYMENT.—*

12                   “(A) *IN GENERAL.—The term ‘qualified*  
13       *payment’ means any payment (whether reim-*  
14       *bursement or otherwise) provided by a State or*  
15       *political division thereof on account of the per-*  
16       *formance of services as a member of a qualified*  
17       *volunteer emergency response organization.*

18                   “(B) *APPLICABLE DOLLAR LIMITATION.—*

19       *The amount determined under subparagraph (A)*  
20       *for any taxable year shall not exceed \$30 multi-*  
21       *plied by the number of months during such year*  
22       *that the taxpayer performs such services.*

23                   “(3) *QUALIFIED VOLUNTEER EMERGENCY RE-*  
24       *SPONSE ORGANIZATION.—The term ‘qualified volun-*

1        *teer emergency response organization’ means any vol-*  
 2        *unteer organization—*

3                *“(A) which is organized and operated to*  
 4                *provide firefighting or emergency medical serv-*  
 5                *ices for persons in the State or political subdivi-*  
 6                *sion, as the case may be, and*

7                *“(B) which is required (by written agree-*  
 8                *ment) by the State or political subdivision to*  
 9                *furnish firefighting or emergency medical serv-*  
 10               *ices in such State or political subdivision.”.*

11        *(b) CLERICAL AMENDMENT.—The table of sections for*  
 12        *such part is amended by inserting after the item relating*  
 13        *to section 139A the following new item:*

*“Sec. 139B. Benefits provided to volunteer firefighters and emergency medical re-*  
*sponders.”.*

14        *(c) EFFECTIVE DATE.—The amendments made by this*  
 15        *section shall apply to taxable years beginning after the date*  
 16        *of the enactment of this Act.*

17        **SEC. 106. SPECIAL PERIOD OF LIMITATION WHEN UNI-**  
 18                **FORMED SERVICES RETIRED PAY IS RE-**  
 19                **DUCED AS A RESULT OF AWARD OF DIS-**  
 20                **ABILITY COMPENSATION.**

21        *(a) IN GENERAL.—Subsection (d) of section 6511 (re-*  
 22        *lating to special rules applicable to income taxes) is amend-*  
 23        *ed by adding at the end the following new paragraph:*

1           “(8) *SPECIAL RULES WHEN UNIFORMED SERV-*  
2           *ICES RETIRED PAY IS REDUCED AS A RESULT OF*  
3           *AWARD OF DISABILITY COMPENSATION.—*

4           “(A) *PERIOD OF LIMITATION ON FILING*  
5           *CLAIM.—If the claim for credit or refund relates*  
6           *to an overpayment of tax imposed by subtitle A*  
7           *on account of—*

8           “(i) *the reduction of uniformed services*  
9           *retired pay computed under section 1406 or*  
10           *1407 of title 10, United States Code, or*

11           “(ii) *the waiver of such pay under sec-*  
12           *tion 5305 of title 38 of such Code,*  
13           *as a result of an award of compensation under*  
14           *title 38 of such Code pursuant to a determina-*  
15           *tion by the Secretary of Veterans Affairs, the 3-*  
16           *year period of limitation prescribed in subsection*  
17           *(a) shall be extended, for purposes of permitting*  
18           *a credit or refund based upon the amount of such*  
19           *reduction or waiver, until the end of the 1-year*  
20           *period beginning on the date of such determina-*  
21           *tion.*

22           “(B) *LIMITATION TO 5 TAXABLE YEARS.—*  
23           *Subparagraph (A) shall not apply with respect*  
24           *to any taxable year which began more than 5*  
25           *years before the date of such determination.”.*

1 (b) *EFFECTIVE DATE.*—The amendment made by sub-  
2 section (a) shall apply to claims for credit or refund filed  
3 after the date of the enactment of this Act.

4 (c) *TRANSITION RULES.*—In the case of a determina-  
5 tion described in paragraph (8) of section 6511(d) of the  
6 Internal Revenue Code of 1986 (as added by this section)  
7 which is made by the Secretary of Veterans Affairs after  
8 December 31, 2000, and before the date of the enactment  
9 of this Act, such paragraph—

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

12 (2) shall be applied by substituting for “the date  
13 of such determination” in subparagraph (A) thereof.

14 **SEC. 107. DISTRIBUTIONS FROM RETIREMENT PLANS TO IN-**  
15 **DIVIDUALS CALLED TO ACTIVE DUTY.**

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

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

21 **SEC. 108. DISCLOSURE OF RETURN INFORMATION RELAT-**  
22 **ING TO VETERANS PROGRAMS MADE PERMA-**  
23 **NENT.**

24 (a) *IN GENERAL.*—Subparagraph (D) of section  
25 6103(l)(7) (relating to disclosure of return information to

1 *Federal, State, and local agencies administering certain*  
 2 *programs under the Social Security Act, the Food Stamp*  
 3 *Act of 1977, or title 38, United States Code or certain hous-*  
 4 *ing assistance programs) is amended by striking the last*  
 5 *sentence.*

6 (b) *EFFECTIVE DATE.*—*The amendments made by this*  
 7 *section shall apply to requests made after September 30,*  
 8 *2008.*

9 **SEC. 109. CONTRIBUTIONS OF MILITARY DEATH GRATU-**  
 10 **ITIES TO ROTH IRAS AND EDUCATION SAV-**  
 11 **INGS ACCOUNTS.**

12 (a) *PROVISION IN EFFECT BEFORE PENSION PROTEC-*  
 13 *TION ACT.*—*Subsection (e) of section 408A (relating to*  
 14 *qualified rollover contribution), as in effect before the*  
 15 *amendments made by section 824 of the Pension Protection*  
 16 *Act of 2006, is amended to read as follows:*

17 “(e) *QUALIFIED ROLLOVER CONTRIBUTION.*—*For pur-*  
 18 *poses of this section—*

19 “(1) *IN GENERAL.*—*The term ‘qualified rollover*  
 20 *contribution’ means a rollover contribution to a Roth*  
 21 *IRA from another such account, or from an indi-*  
 22 *vidual retirement plan, but only if such rollover con-*  
 23 *tribution meets the requirements of section 408(d)(3).*  
 24 *Such term includes a rollover contribution described*  
 25 *in section 402A(c)(3)(A). For purposes of section*

1       408(d)(3)(B), there shall be disregarded any qualified  
2       rollover contribution from an individual retirement  
3       plan (other than a Roth IRA) to a Roth IRA.

4           “(2) *MILITARY DEATH GRATUITY.*—

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

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

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

21                   “(B) *ANNUAL LIMIT ON NUMBER OF ROLL-*  
22      *OVERS NOT TO APPLY.*—Section 408(d)(3)(B)  
23      shall not apply with respect to amounts treated  
24      as a rollover by subparagraph (A).

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

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

11          “(e) *QUALIFIED ROLLOVER CONTRIBUTION.*—For pur-  
12          poses of this section—

13                 “(1) *IN GENERAL.*—The term ‘qualified rollover  
14                 contribution’ means a rollover contribution—

15                         “(A) to a Roth IRA from another such ac-  
16                         count,

17                         “(B) from an eligible retirement plan, but  
18                         only if—

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

22                                 “(ii) in the case of any eligible retire-  
23                                 ment plan (as defined in section  
24                                 402(c)(8)(B) other than clauses (i) and (ii)  
25                                 thereof), such rollover contribution meets the

1 requirements of section 402(c), 403(b)(8), or  
2 457(e)(16), as applicable.

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

7 “(2) *MILITARY DEATH GRATUITY.*—

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

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

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

24 “(B) *ANNUAL LIMIT ON NUMBER OF ROLL-*  
25 *OVERS NOT TO APPLY.*—Section 408(d)(3)(B)



1 shall not apply with respect to amounts treated  
2 as a rollover by the subparagraph (A).

3 “(C) *APPLICATION OF SECTION 72.*—For  
4 purposes of applying section 72 in the case of a  
5 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 (d)  
10 of section 530 is amended by adding at the end the following  
11 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 period  
17 beginning on the date on which the contributor  
18 receives an amount under section 1477 of title  
19 10, United States Code, or section 1967 of title  
20 38 of such Code, with respect to a person, to the  
21 extent that such contribution does not exceed—

22 “(i) the sum of the amounts received  
23 during such period by such contributor  
24 under such sections with respect to such  
25 person, reduced by

1           “(i) the amounts so received which  
2           were contributed to a Roth IRA under sec-  
3           tion 408A(e)(2) or to another Coverdell edu-  
4           cation savings account.

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

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

16          (d) EFFECTIVE DATES.—

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

22               (2) APPLICATION OF AMENDMENTS TO DEATHS  
23               FROM INJURIES OCCURRING ON OR AFTER OCTOBER 7,  
24               2001, AND BEFORE ENACTMENT.—The amendments  
25               made by this section shall apply to any contribution

1       *made pursuant to section 408A(e)(2) or 530(d)(5) of*  
2       *the Internal Revenue Code of 1986, as amended by*  
3       *this Act, with respect to amounts received under sec-*  
4       *tion 1477 of title 10, United States Code, or under*  
5       *section 1967 of title 38 of such Code, for deaths from*  
6       *injuries occurring on or after October 7, 2001, and*  
7       *before the date of the enactment of this Act if such*  
8       *contribution is made not later than 1 year after the*  
9       *date of the enactment of this Act.*

10           (3) *PENSION PROTECTION ACT CHANGES.—Section*  
11       *408A(e)(1) of the Internal Revenue Code of 1986*  
12       *(as in effect after the amendments made by subsection*  
13       *(b)) shall apply to taxable years beginning after De-*  
14       *cember 31, 2007.*

15       **SEC. 110. SUSPENSION OF 5-YEAR PERIOD DURING SERVICE**  
16                           **WITH THE PEACE CORPS.**

17           (a) *IN GENERAL.—Subsection (d) of section 121 (relat-*  
18       *ing to special rules) is amended by adding at the end the*  
19       *following new paragraph:*

20                   “(12) *PEACE CORPS.—*

21                           “(A) *IN GENERAL.—At the election of an*  
22       *individual with respect to a property, the run-*  
23       *ning of the 5-year period described in subsections*  
24       *(a) and (c)(1)(B) and paragraph (7) of this sub-*  
25       *section with respect to such property shall be sus-*

1           *pended during any period that such individual*  
 2           *or such individual’s spouse is serving outside the*  
 3           *United States—*

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

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

11                   “(B) *APPLICABLE RULES.—For purposes of*  
 12                   *subparagraph (A), rules similar to the rules of*  
 13                   *subparagraphs (B) and (D) shall apply.”.*

14           (b) *EFFECTIVE DATE.—The amendment made by sub-*  
 15           *section (a) shall apply to taxable years beginning after De-*  
 16           *cember 31, 2007.*

17           **TITLE II—IMPROVEMENTS IN**  
 18           **SUPPLEMENTAL SECURITY**  
 19           **INCOME**

20           **SEC. 201. TREATMENT OF UNIFORMED SERVICE CASH RE-**  
 21           **MUNERATION AS EARNED INCOME.**

22           (a) *IN GENERAL.—Section 1612(a)(1)(A) of the Social*  
 23           *Security Act (42 U.S.C. 1382a(a)(1)(A)) is amended by in-*  
 24           *serting “(and, in the case of cash remuneration paid for*  
 25           *service as a member of a uniformed service (other than pay-*

1 *ments described in paragraph (2)(H) of this subsection or*  
2 *subsection (b)(20)), without regard to the limitations con-*  
3 *tained in section 209(d))” before the semicolon.*

4 *(b) CERTAIN HOUSING PAYMENTS TREATED AS IN-*  
5 *KIND SUPPORT AND MAINTENANCE.—Section 1612(a)(2) of*  
6 *such Act (42 U.S.C. 1382a(a)(2)) is amended—*

7 *(1) by striking “and” at the end of subpara-*  
8 *graph (F);*

9 *(2) by striking the period at the end of subpara-*  
10 *graph (G) and inserting “; and”; and*

11 *(3) by adding at the end the following:*

12 *“(H) payments to or on behalf of a member*  
13 *of a uniformed service for housing of the member*  
14 *(and his or her dependents, if any) on a facility*  
15 *of a uniformed service, including payments pro-*  
16 *vided under section 403 of title 37, United States*  
17 *Code, for housing that is acquired or constructed*  
18 *under subchapter IV of chapter 169 of title 10 of*  
19 *such Code, or any related provision of law, and*  
20 *any such payments shall be treated as support*  
21 *and maintenance in kind subject to subpara-*  
22 *graph (A) of this paragraph.”.*

1 **SEC. 202. STATE ANNUITIES FOR BLIND VETERANS TO BE**  
2 **DISREGARDED IN DETERMINING SUPPLE-**  
3 **MENTAL SECURITY INCOME BENEFITS.**

4 (a) *INCOME DISREGARD.*—Section 1612(b) of the So-  
5 cial Security Act (42 U.S.C. 1382a(b)) is amended—

6 (1) by striking “and” at the end of paragraph  
7 (22);

8 (2) by striking the period at the end of para-  
9 graph (23) and inserting “; and”; and

10 (3) by adding at the end the following:

11 “(24) any annuity paid by a State to the indi-  
12 vidual (or such spouse) on the basis of the individ-  
13 ual’s being a veteran (as defined in section 101 of  
14 title 38, United States Code) and blind.”.

15 (b) *RESOURCE DISREGARD.*—Section 1613(a) of such  
16 Act (42 U.S.C. 1382b(a)) is amended—

17 (1) by striking “and” at the end of paragraph  
18 (14);

19 (2) by striking the period at the end of para-  
20 graph (15) and inserting “; and”; and

21 (3) by inserting after paragraph (15) the fol-  
22 lowing:

23 “(16) for the month of receipt and every month  
24 thereafter, any annuity paid by a State to the indi-  
25 vidual (or such spouse) on the basis of the individ-

1            *ual's being a veteran (as defined in section 101 of*  
2            *title 38, United States Code) and blind.”.*

3 **SEC. 203. EXCLUSION OF AMERICORPS BENEFITS FOR PUR-**  
4                            **POSES OF DETERMINING SUPPLEMENTAL SE-**  
5                            **CURITY INCOME ELIGIBILITY AND BENEFIT**  
6                            **AMOUNTS.**

7            *Section 1612(b) of the Social Security Act (42 U.S.C.*  
8 *1382a(b)), as amended by section 202(a) of this Act, is*  
9 *amended—*

10                        (1) *in paragraph (23), by striking “and” at the*  
11 *end;*

12                        (2) *in paragraph (24), by striking the period*  
13 *and inserting “; and”; and*

14                        (3) *by adding at the end the following:*

15                        *“(25) any benefit (whether cash or in-kind) con-*  
16 *ferred upon (or paid on behalf of) a participant in*  
17 *an AmeriCorps position approved by the Corporation*  
18 *for National and Community Service under section*  
19 *123 of the National and Community Service Act of*  
20 *1990 (42 U.S.C. 12573).”.*

21 **SEC. 204. EFFECTIVE DATE.**

22            *The amendments made by this title shall be effective*  
23 *with respect to benefits payable for months beginning after*  
24 *60 days after the date of the enactment of this Act.*

1                   **TITLE III—REVENUE**  
2                   **PROVISIONS**

3 **SEC. 301. MODIFICATION OF PENALTY FOR FAILURE TO**  
4                   **FILE PARTNERSHIP RETURNS.**

5           (a) *EXTENSION OF TIME LIMITATION.*—Subsection (a)  
6 of section 6698 (relating to general rule) is amended by  
7 striking “5 months” and inserting “12 months”.

8           (b) *INCREASE IN PENALTY AMOUNT.*—Paragraph (1)  
9 of section 6698(b) is amended by striking “\$50” and insert-  
10 ing “\$100”.

11           (c) *EFFECTIVE DATE.*—The amendments made by this  
12 section shall apply to returns required to be filed after the  
13 date of the enactment of this Act.

14 **SEC. 302. PENALTY FOR FAILURE TO FILE S CORPORATION**  
15                   **RETURNS.**

16           (a) *IN GENERAL.*—Part I of subchapter B of chapter  
17 68 (relating to assessable penalties) is amended by adding  
18 at the end the following new section:

19 **“SEC. 6699. FAILURE TO FILE S CORPORATION RETURN.**

20           “(a) *GENERAL RULE.*—In addition to the penalty im-  
21 posed by section 7203 (relating to willful failure to file re-  
22 turn, supply information, or pay tax), if any S corporation  
23 required to file a return under section 6037 for any taxable  
24 year—



1           “(1) fails to file such return at the time pre-  
2           scribed therefor (determined with regard to any exten-  
3           sion of time for filing), or

4           “(2) files a return which fails to show the infor-  
5           mation required under section 6037,

6 such S corporation shall be liable for a penalty determined  
7 under subsection (b) for each month (or fraction thereof)  
8 during which such failure continues (but not to exceed 12  
9 months), unless it is shown that such failure is due to rea-  
10 sonable cause.

11           “(b) AMOUNT PER MONTH.—For purposes of sub-  
12 section (a), the amount determined under this subsection  
13 for any month is the product of—

14           “(1) \$100, multiplied by

15           “(2) the number of persons who were share-  
16 holders in the S corporation during any part of the  
17 taxable year.

18           “(c) ASSESSMENT OF PENALTY.—The penalty imposed  
19 by subsection (a) shall be assessed against the S corpora-  
20 tion.

21           “(d) DEFICIENCY PROCEDURES NOT TO APPLY.—Sub-  
22 chapter B of chapter 63 (relating to deficiency procedures  
23 for income, estate, gift, and certain excise taxes) shall not  
24 apply in respect of the assessment or collection of any pen-  
25 alty imposed by subsection (a).”.

1           (b) *CLERICAL AMENDMENT.*—*The table of sections for*  
2 *part I of subchapter B of chapter 68 is amended by adding*  
3 *at the end the following new item:*

          “*Sec. 6699. Failure to file S corporation return.*”.

4           (c) *EFFECTIVE DATE.*—*The amendments made by this*  
5 *section shall apply to returns required to be filed after the*  
6 *date of the enactment of this Act.*

7 **SEC. 303. INCREASE IN INFORMATION RETURN PENALTIES.**

8           (a) *FAILURE TO FILE CORRECT INFORMATION RE-*  
9 *TURNS.*—

10               (1) *IN GENERAL.*—*Subsections (a)(1), (b)(1)(A),*  
11 *and (b)(2)(A) of section 6721 are each amended by*  
12 *striking “\$50” and inserting “\$100”.*

13               (2) *AGGREGATE ANNUAL LIMITATION.*—*Sub-*  
14 *sections (a)(1), (d)(1)(A), and (e)(3)(A) of section*  
15 *6721 are each amended by striking “\$250,000” and*  
16 *inserting “\$600,000”.*

17           (b) *REDUCTION WHERE CORRECTION WITHIN 30*  
18 *DAYS.*—

19               (1) *IN GENERAL.*—*Subparagraph (A) of section*  
20 *6721(b)(1) is amended by striking “\$15” and insert-*  
21 *ing “\$25”.*

22               (2) *AGGREGATE ANNUAL LIMITATION.*—*Sub-*  
23 *sections (b)(1)(B) and (d)(1)(B) of section 6721 are*  
24 *each amended by striking “\$75,000” and inserting*  
25 *“\$200,000”.*

1       (c) *REDUCTION WHERE CORRECTION ON OR BEFORE*  
2 *AUGUST 1.*—

3           (1) *IN GENERAL.*—Subparagraph (A) of section  
4 6721(b)(2) is amended by striking “\$30” and insert-  
5 ing “\$60”.

6           (2) *AGGREGATE ANNUAL LIMITATION.*—Sub-  
7 sections (b)(2)(B) and (d)(1)(C) of section 6721 are  
8 each amended by striking “\$150,000” and inserting  
9 “\$400,000”.

10       (d) *AGGREGATE ANNUAL LIMITATIONS FOR PERSONS*  
11 *WITH GROSS RECEIPTS OF NOT MORE THAN \$5,000,000.*—  
12 Paragraph (1) of section 6721(d) is amended—

13           (1) by striking “\$100,000” in subparagraph (A)  
14 and inserting “\$250,000”,

15           (2) by striking “\$25,000” in subparagraph (B)  
16 and inserting “\$75,000”, and

17           (3) by striking “\$50,000” in subparagraph (C)  
18 and inserting “\$150,000”.

19       (e) *PENALTY IN CASE OF INTENTIONAL DISREGARD.*—  
20 Paragraph (2) of section 6721(e) is amended by striking  
21 “\$100” and inserting “\$250”.

22       (f) *FAILURE TO FURNISH CORRECT PAYEE STATE-*  
23 *MENTS.*—

24           (1) *IN GENERAL.*—Subsection (a) of section 6722  
25 is amended by striking “\$50” and inserting “\$100”.

1           (2) *AGGREGATE ANNUAL LIMITATION.*—Sub-  
2           sections (a) and (c)(2)(A) of section 6722 are each  
3           amended by striking “\$100,000” and inserting  
4           “\$600,000”.

5           (3) *PENALTY IN CASE OF INTENTIONAL DIS-*  
6           *REGARD.*—Paragraph (1) of section 6722(c) is  
7           amended by striking “\$100” and inserting “\$250”.

8           (g) *FAILURE TO COMPLY WITH OTHER INFORMATION*  
9           *REPORTING REQUIREMENTS.*—Section 6723 is amended—  
10           (1) by striking “\$50” and inserting “\$100”, and  
11           (2) by striking “\$100,000” and inserting  
12           “\$600,000”.

13           (h) *EFFECTIVE DATE.*—The amendments made by this  
14           section shall apply with respect to information returns re-  
15           quired to be filed on or after January 1, 2008.

16           **SEC. 304. INCREASE IN MINIMUM PENALTY ON FAILURE TO**  
17           **FILE A RETURN OF TAX.**

18           (a) *IN GENERAL.*—Subsection (a) of section 6651 is  
19           amended by striking “\$100” in the last sentence and insert-  
20           ing “\$225”.

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



Union Calendar No. 268

110<sup>TH</sup> CONGRESS  
1<sup>ST</sup> Session

**H. R. 3997**

[Report No. 110-426]

---

---

## **A BILL**

To amend the Internal Revenue Code of 1986 to provide earnings assistance and tax relief to members of the uniformed services, volunteer firefighters, and Peace Corps volunteers, and for other purposes.

---

---

NOVEMBER 5, 2007

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed