

109TH CONGRESS
1ST SESSION

H. R. 4297

To provide for reconciliation pursuant to section 201(b) of the concurrent resolution on the budget for fiscal year 2006.

IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 10, 2005

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

A BILL

To provide for reconciliation pursuant to section 201(b) of the concurrent resolution on the budget for fiscal year 2006.

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

3 **SECTION 1. AMENDMENT OF 1986 CODE, ETC.**

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

1 (b) TABLE OF CONTENTS.—The table of contents for
2 this Act is as follows:

Sec. 1. Amendment of 1986 Code, etc.

TITLE I—EXTENSIONS OF CERTAIN PROVISIONS THROUGH 2006

Sec. 101. Allowance of nonrefundable personal credits against regular and minimum tax liability.

Sec. 102. State and local general sales taxes.

Sec. 103. Research credit.

Sec. 104. Qualified tuition and related expenses.

Sec. 105. Certain expenses of elementary and secondary school teachers.

Sec. 106. Qualified Zone Academy Bonds.

Sec. 107. Tax incentives for business activities on Indian reservations.

Sec. 108. Deduction for corporate donations of computer technology and equipment.

Sec. 109. Availability of medical savings accounts.

Sec. 110. 15-year cost recovery for leasehold improvements.

Sec. 111. 15-year cost recovery for restaurant improvements.

Sec. 112. Taxable income limit on percentage depletion for oil and natural gas produced from marginal properties.

Sec. 113. District of Columbia Enterprise Zone.

Sec. 114. Possession tax credit with respect to American Samoa.

Sec. 115. Parity in the application of certain limits to mental health benefits.

Sec. 116. Authority for undercover operations.

TITLE II—OTHER EXTENSIONS AND MODIFICATIONS

Sec. 201. Work opportunity credit and welfare-to-work credit.

Sec. 202. Expensing of environmental remediation costs.

Sec. 203. Controlled foreign corporations.

TITLE III—EXTENSIONS OF CERTAIN PROVISIONS THROUGH 2010

Sec. 301. Saver's credit.

Sec. 302. Increased expensing for small business.

Sec. 303. Capital gains and dividends rates.

1 **TITLE I—EXTENSIONS OF CER-**
2 **TAIN PROVISIONS THROUGH**
3 **2006**

4 **SEC. 101. ALLOWANCE OF NONREFUNDABLE PERSONAL**
5 **CREDITS AGAINST REGULAR AND MINIMUM**
6 **TAX LIABILITY.**

7 (a) IN GENERAL.—Paragraph (2) of section 26(a)
8 (relating to special rule for taxable years 2000 through
9 2005) is amended—

10 (1) in the text by striking “or 2005” and in-
11 serting “2005, or 2006”, and

12 (2) in the heading by striking “2005” and in-
13 serting “2006”.

14 (b) CONFORMING PROVISIONS.—

15 (1) Subsection (i) of section 904 (relating to co-
16 ordination with nonrefundable personal credits) is
17 amended by striking “or 2005” and inserting “2005,
18 or 2006”.

19 (2) The amendments made by sections 201(b),
20 202(f), and 618(b) of the Economic Growth and Tax
21 Relief Reconciliation Act of 2001 shall not apply to
22 taxable years beginning during 2006.

23 (c) EFFECTIVE DATE.—The amendments made by
24 this section shall apply to taxable years beginning after
25 December 31, 2005.

1 **SEC. 102. STATE AND LOCAL GENERAL SALES TAXES.**

2 (a) IN GENERAL.—Subparagraph (I) of section
3 164(b)(5) (relating to application of paragraph) is amend-
4 ed by striking “January 1, 2006” and inserting “January
5 1, 2007”.

6 (b) EFFECTIVE DATE.—The amendment made by
7 subsection (a) shall apply to taxable years beginning after
8 December 31, 2005.

9 **SEC. 103. RESEARCH CREDIT.**

10 (a) EXTENSION.—

11 (1) IN GENERAL.—Subparagraph (B) of section
12 41(h)(1) (relating to termination) is amended by
13 striking “December 31, 2005” and inserting “De-
14 cember 31, 2006”.

15 (2) CONFORMING AMENDMENT.—Subparagraph
16 (D) of section 45C(b)(1) (relating to special rule) is
17 amended by striking “December 31, 2005” and in-
18 serting “December 31, 2006”.

19 (b) EFFECTIVE DATE.—The amendments made by
20 this section shall apply to amounts paid or incurred after
21 December 31, 2005.

22 **SEC. 104. QUALIFIED TUITION AND RELATED EXPENSES.**

23 (a) IN GENERAL.—Subsection (e) of section 222 (re-
24 lating to termination) is amended by striking “December
25 31, 2005” and inserting “December 31, 2006”.

1 (b) LIMITATIONS.—Paragraph (2) of section 222(b)
2 (relating to applicable dollar limit) is amended by striking
3 subparagraphs (A) and (B), by redesignating subpara-
4 graph (C) as subparagraph (B), and by inserting before
5 subparagraph (B) (as so redesignated) the following:

6 “(A) 2006.—In the case of a taxable year
7 beginning in 2006, the applicable dollar amount
8 shall be equal to—

9 “(i) in the case of a taxpayer whose
10 adjusted gross income for the taxable year
11 does not exceed \$65,000 (\$130,000 in the
12 case of a joint return), \$4,000,

13 “(ii) in the case of a taxpayer not de-
14 scribed in clause (i) whose adjusted gross
15 income for the taxable year does not ex-
16 ceed \$80,000 (\$160,000 in the case of a
17 joint return), \$2,000, and

18 “(iii) in the case of any other tax-
19 payer, zero.”.

20 (c) EFFECTIVE DATE.—The amendments made by
21 this section shall apply to payments made in taxable years
22 beginning after December 31, 2005.

1 **SEC. 105. CERTAIN EXPENSES OF ELEMENTARY AND SEC-**
2 **ONDARY SCHOOL TEACHERS.**

3 (a) IN GENERAL.—Subparagraph (D) of section
4 62(a)(2) (relating to certain expenses of elementary and
5 secondary school teachers) is amended by striking “or
6 2005” and inserting “2005, or 2006”.

7 (b) EFFECTIVE DATE.—The amendment made by
8 subsection (a) shall apply to expenses paid or incurred in
9 taxable years beginning after December 31, 2005.

10 **SEC. 106. QUALIFIED ZONE ACADEMY BONDS.**

11 (a) IN GENERAL.—Paragraph (1) of section
12 1397E(e) (relating to national limit) is amended by strik-
13 ing “and 2005” and inserting “2005, and 2006”.

14 (b) EFFECTIVE DATE.—The amendment made by
15 subsection (a) shall apply to obligations issued after De-
16 cember 31, 2005.

17 **SEC. 107. TAX INCENTIVES FOR BUSINESS ACTIVITIES ON**
18 **INDIAN RESERVATIONS.**

19 (a) INDIAN EMPLOYMENT TAX CREDIT.—

20 (1) IN GENERAL.—Subsection (f) of section
21 45A (relating to termination) is amended by striking
22 “December 31, 2005” and inserting “December 31,
23 2006”.

24 (2) EFFECTIVE DATE.—The amendment made
25 by paragraph (1) shall apply to taxable years begin-
26 ning after December 31, 2005.

1 (b) ACCELERATED DEPRECIATION FOR BUSINESS
2 PROPERTY ON INDIAN RESERVATIONS.—

3 (1) IN GENERAL.—Paragraph (8) of section
4 168(j) (relating to termination) is amended by strik-
5 ing “December 31, 2005” and inserting “December
6 31, 2006”.

7 (2) EFFECTIVE DATE.—The amendment made
8 by paragraph (1) shall apply with respect to prop-
9 erty placed in service after December 31, 2005.

10 **SEC. 108. DEDUCTION FOR CORPORATE DONATIONS OF**
11 **COMPUTER TECHNOLOGY AND EQUIPMENT.**

12 (a) IN GENERAL.—Subparagraph (G) of section
13 170(e)(6) (relating to termination) is amended by striking
14 “December 31, 2005” and inserting “December 31,
15 2006”.

16 (b) EFFECTIVE DATE.—The amendment made by
17 subsection (a) shall apply to contributions made in taxable
18 years beginning after December 31, 2005.

19 **SEC. 109. AVAILABILITY OF MEDICAL SAVINGS ACCOUNTS.**

20 (a) IN GENERAL.—Paragraphs (2) and (3)(B) of sec-
21 tion 220(i) (defining cut-off year) are each amended by
22 striking “2005” each place it appears in the text and
23 headings and inserting “2006”.

24 (b) CONFORMING AMENDMENTS.—

1 (1) Paragraph (2) of section 220(j) is amend-
2 ed—

3 (A) in the text by striking “or 2004” each
4 place it appears and inserting “2004, or 2005”,
5 and

6 (B) in the heading by striking “OR 2004”
7 and inserting “2004, OR 2005”.

8 (2) Subparagraph (A) of section 220(j)(4) is
9 amended by striking “and 2004” and inserting
10 “2004, and 2005”.

11 (c) EFFECTIVE DATE.—The amendments made by
12 this section shall take effect on the date of the enactment
13 of this Act.

14 (d) TIME FOR FILING REPORTS, ETC.—

15 (1) The report required by section 220(j)(4) of
16 the Internal Revenue Code of 1986 to be made on
17 August 1, 2005, shall be treated as timely if made
18 before the close of the 90-day period beginning on
19 the date of the enactment of this Act.

20 (2) The determination and publication required
21 by section 220(j)(5) of such Code with respect to
22 calendar year 2005 shall be treated as timely if
23 made before the close of the 120-day period begin-
24 ning on the date of the enactment of this Act. If the
25 determination under the preceding sentence is that

1 marginal properties) is amended by striking “January 1,
2 2006” and inserting “January 1, 2007”.

3 (b) EFFECTIVE DATE.—The amendment made by
4 subsection (a) shall apply to taxable years beginning after
5 December 31, 2005.

6 **SEC. 113. DISTRICT OF COLUMBIA ENTERPRISE ZONE.**

7 (a) PERIOD FOR WHICH DESIGNATION APPLICA-
8 BLE.—Subsection (f) of section 1400 (relating to time for
9 which designation applicable) is amended by striking “De-
10 cember 31, 2005” both places it appears and inserting
11 “December 31, 2006”.

12 (b) TAX-EXEMPT ECONOMIC DEVELOPMENT
13 BONDS.—Subsection (b) of section 1400A (relating to pe-
14 riod of applicability) is amended by striking “December
15 31, 2005” and inserting “December 31, 2006”.

16 (c) ZERO PERCENT CAPITAL GAINS RATE.—

17 (1) IN GENERAL.—Subsection (b) of section
18 1400B (relating to DC Zone Asset) is amended by
19 striking “January 1, 2006” each place it appears
20 and inserting “January 1, 2007”.

21 (2) CONFORMING AMENDMENTS.—

22 (A) Paragraph (2) of section 1400B(e) (re-
23 lating to gain before 1998 and after 2010 not
24 qualified) is amended—

1 (i) by striking “December 31, 2010”
2 and inserting “December 31, 2011”, and
3 (ii) by striking “2010” in the heading
4 and inserting “2011”.

5 (B) Paragraph (2) of section 1400B(g)
6 (relating to sales and exchanges of interests in
7 partnerships and S corporations which are DC
8 Zone businesses) is amended by striking “De-
9 cember 31, 2010” and inserting “December 31,
10 2011”.

11 (C) Subsection (d) of section 1400F (relat-
12 ing to certain rules to apply) is amended by
13 striking “December 31, 2010” and inserting
14 “December 31, 2011”.

15 (d) FIRST-TIME HOMEBUYER CREDIT FOR DISTRICT
16 OF COLUMBIA.—Subsection (i) of section 1400C (relating
17 to application of section) is amended by striking “January
18 1, 2006” and inserting “January 1, 2007”.

19 (e) EFFECTIVE DATES.—

20 (1) IN GENERAL.—Except as provided in para-
21 graph (2), the amendments made by this section
22 shall take effect on January 1, 2006.

23 (2) TAX-EXEMPT ECONOMIC DEVELOPMENT
24 BONDS.—The amendment made by subsection (b)

1 shall apply to obligations issued after the date of the
2 enactment of this Act.

3 **SEC. 114. POSSESSION TAX CREDIT WITH RESPECT TO**
4 **AMERICAN SAMOA.**

5 (a) IN GENERAL.—Subparagraph (A) of section
6 936(j)(8) (relating to special rules for certain possessions)
7 is amended by inserting before the period at the end the
8 following: “(before January 1, 2007, in the case of Amer-
9 ican Samoa)”.

10 (b) EFFECTIVE DATE.—The amendment made by
11 subsection (a) shall apply to taxable years beginning after
12 December 31, 2005.

13 **SEC. 115. PARITY IN THE APPLICATION OF CERTAIN LIMITS**
14 **TO MENTAL HEALTH BENEFITS.**

15 (a) IN GENERAL.—Paragraph (3) of section 9812(f)
16 (relating to application of section) is amended by striking
17 “December 31, 2005” and inserting “December 31,
18 2006”.

19 (b) EFFECTIVE DATES.—The amendment made by
20 subsection (a) shall take effect on the date of the enact-
21 ment of this Act.

22 **SEC. 116. AUTHORITY FOR UNDERCOVER OPERATIONS.**

23 Paragraph (6) of section 7608(c) (relating to applica-
24 tion of section) is amended by striking “January 1, 2006”
25 both places is appears and inserting “January 1, 2007”.

1 **TITLE II—OTHER EXTENSIONS**
2 **AND MODIFICATIONS**

3 **SEC. 201. WORK OPPORTUNITY CREDIT AND WELFARE-TO-**
4 **WORK CREDIT.**

5 (a) EXTENSION OF WORK OPPORTUNITY CREDIT.—
6 Paragraph (4) of section 51(c) (relating to termination)
7 is amended by striking “December 31, 2005” and insert-
8 ing “December 31, 2007”.

9 (b) CONSOLIDATION OF WORK OPPORTUNITY CRED-
10 IT WITH WELFARE-TO-WORK CREDIT.—

11 (1) IN GENERAL.—Paragraph (1) of section
12 51(d) (relating to members of targeted groups) is
13 amended by striking “or” at the end of subpara-
14 graph (G), by striking the period at the end of sub-
15 paragraph (H) and inserting “, or”, and by adding
16 at the end the following new subparagraph:

17 “(I) a long-term family assistance recipi-
18 ent.”

19 (2) LONG-TERM FAMILY ASSISTANCE RECIPI-
20 ENT.—Subsection (d) of section 51 (relating to
21 members of targeted groups) is amended by redesignig-
22 nating paragraphs (10) through (12) as paragraphs
23 (11) through (13), respectively, and by inserting
24 after paragraph (9) the following new paragraph:

1 “(10) LONG-TERM FAMILY ASSISTANCE RECIPI-
2 ENT.—The term ‘long-term family assistance recipi-
3 ent’ means any individual who is certified by the
4 designated local agency—

5 “(A) as being a member of a family receiv-
6 ing assistance under a IV-A program (as de-
7 fined in paragraph (2)(B)) for at least the 18-
8 month period ending on the hiring date,

9 “(B)(i) as being a member of a family re-
10 ceiving such assistance for 18 months beginning
11 after August 5, 1997, and

12 “(ii) as having a hiring date which is not
13 more than 2 years after the end of the earliest
14 such 18-month period, or

15 “(C)(i) as being a member of a family
16 which ceased to be eligible for such assistance
17 by reason of any limitation imposed by Federal
18 or State law on the maximum period such as-
19 sistance is payable to a family, and

20 “(ii) as having a hiring date which is not
21 more than 2 years after the date of such ces-
22 sation.”

23 (3) REPEAL OF SEPARATE WELFARE-TO-WORK
24 CREDIT.—

1 (A) IN GENERAL.—Section 51A is hereby
2 repealed.

3 (B) CLERICAL AMENDMENT.—The table of
4 sections for subpart F of part IV of subchapter
5 A of chapter 1 is amended by striking the item
6 relating to section 51A.

7 (c) REPEAL OF INCOME TEST FOR EX-FELONS.—
8 Paragraph (4) of section 51(d) (relating to qualified ex-
9 felon) is amended—

10 (1) by inserting “and” at the end of subpara-
11 graph (A), and

12 (2) by striking “, and” at the end of subpara-
13 graph (B) and all that follows through the end of
14 the paragraph and inserting a period.

15 (d) INCREASE IN AGE LIMIT FOR FOOD STAMP RE-
16 CIPIENTS.—Clause (i) of section 51(d)(8)(A) (relating to
17 qualified food stamp recipient) is amended by striking
18 “25” and inserting “35”.

19 (e) EFFECTIVE DATE.—The amendments made by
20 this section shall apply to individuals who begin work for
21 the employer after December 31, 2005.

22 **SEC. 202. EXPENSING OF ENVIRONMENTAL REMEDIATION**
23 **COSTS.**

24 (a) EXTENSION OF TERMINATION DATE.—Sub-
25 section (h) of section 198 (relating to termination) is

1 amended by striking “December 31, 2005” and inserting
2 “December 31, 2007”.

3 (b) PETROLEUM PRODUCTS TREATED AS HAZ-
4 ARDOUS SUBSTANCE.—Paragraph (1) of section 198(d)
5 (relating to hazardous substance) is amended by striking
6 “and” at the end of subparagraph (A), by striking the
7 period at the end of subparagraph (B) and inserting “,
8 and”, and by adding at the end the following new subpara-
9 graph:

10 “(C) any petroleum product (as defined in
11 section 4612(a)(3)).”.

12 (c) EFFECTIVE DATE.—The amendments made by
13 this section shall apply to expenditures paid or incurred
14 after December 31, 2005.

15 **SEC. 203. CONTROLLED FOREIGN CORPORATIONS.**

16 (a) SUBPART F EXCEPTION FOR ACTIVE FINANC-
17 ING.—

18 (1) EXEMPT INSURANCE INCOME.—Paragraph
19 (10) of section 953(e) (relating to application) is
20 amended—

21 (A) by striking “January 1, 2007” and in-
22 serting “January 1, 2009”, and

23 (B) by striking “December 31, 2006” and
24 inserting “December 31, 2008”.

1 (2) EXCEPTION TO TREATMENT AS FOREIGN
2 PERSONAL HOLDING COMPANY INCOME.—Paragraph
3 (9) of section 954(h) (relating to application) is
4 amended by striking “January 1, 2007” and insert-
5 ing “January 1, 2009”.

6 (b) LOOK-THROUGH TREATMENT OF PAYMENTS BE-
7 TWEEN RELATED CONTROLLED FOREIGN CORPORATIONS
8 UNDER THE FOREIGN PERSONAL HOLDING COMPANY
9 RULES.—Subsection (c) of section 954 (relating to foreign
10 personal holding company income) is amended by adding
11 at the end the following new paragraph:

12 “(6) LOOK-THRU RULE FOR RELATED CON-
13 TROLLED FOREIGN CORPORATIONS.—

14 “(A) IN GENERAL.—For purposes of this
15 subsection, dividends, interest, rents, and royalti-
16 ties received or accrued from a controlled for-
17 eign corporation which is a related person shall
18 not be treated as foreign personal holding com-
19 pany income to the extent attributable or prop-
20 erly allocable (determined under rules similar to
21 the rules of subparagraphs (C) and (D) of sec-
22 tion 904(d)(3)) to income of the related person
23 which is not subpart F income. For purposes of
24 this subparagraph, interest shall include fac-
25 toring income which is treated as income equiv-

1 alent to interest for purposes of paragraph
2 (1)(E). The Secretary shall prescribe such regu-
3 lations as may be appropriate to prevent the
4 abuse of the purposes of this paragraph.

5 “(B) APPLICATION.—Subparagraph (A)
6 shall apply to taxable years of foreign corpora-
7 tions beginning after December 31, 2005, and
8 before January 1, 2009, and to taxable years of
9 United States shareholders with or within which
10 such taxable years of foreign corporations
11 end.”.

12 **TITLE III—EXTENSIONS OF CER-**
13 **TAIN PROVISIONS THROUGH**
14 **2010**

15 **SEC. 301. SAVER’S CREDIT.**

16 Subsection (h) of section 25B (relating to elective de-
17 ferrals and IRA contributions by certain individuals) is
18 amended by striking “December 31, 2006” and inserting
19 “December 31, 2010”.

20 **SEC. 302. INCREASED EXPENSING FOR SMALL BUSINESS.**

21 Subsections (b)(1), (b)(2), (b)(5), (c)(2), and
22 (d)(1)(A)(ii) of section 179(b) (relating to election to ex-
23 pense certain depreciable business assets) are each amend-
24 ed by striking “2008” and inserting “2011”.

1 **SEC. 303. CAPITAL GAINS AND DIVIDENDS RATES.**

2 Section 303 of the Jobs and Growth Tax Relief Rec-
3 onciliation Act of 2003 is amended by striking “December
4 31, 2008” and inserting “December 31, 2010”.

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