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(Original Signature of Member)

110TH CONGRESS
1ST SESSION

H. RES.

Providing for the concurrence by the House in the Senate amendments to
H.R. 3997, with an amendment.

IN THE HOUSE OF REPRESENTATIVES

Mr. RANGEL submitted the following resolution; which was referred to the
Committee on _____

RESOLUTION

Providing for the concurrence by the House in the Senate
amendments to H.R. 3997, with an amendment.

1 *Resolved*, That upon the adoption of this resolution
2 the House shall be considered to have taken from the
3 Speaker's table the bill, H.R. 3997, with the Senate
4 amendments thereto, and to have (1) concurred in the
5 Senate amendment to the title of the bill, and (2) con-
6 curred in the Senate amendment to the text of the bill
7 with the following amendment:

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

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

5 (a) **SHORT TITLE.**—This Act may be cited as the
6 “Heroes Earnings Assistance and Relief Tax Act of
7 2007”.

8 (b) **REFERENCE.**—Except as otherwise expressly pro-
9 vided, whenever in this Act an amendment or repeal is
10 expressed in terms of an amendment to, or repeal of, a
11 section or other provision, the reference shall be consid-
12 ered to be made to a section or other provision of the In-
13 ternal Revenue Code of 1986.

14 (c) **TABLE OF CONTENTS.**—The table of contents for
15 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. Extension of 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 reduced 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.

- Sec. 111. Credit for employer differential wage payments to employees who are active duty members of the uniformed services.
- Sec. 112. State payments to service members treated as qualified military benefits.
- Sec. 113. Permanent exclusion of gain from sale of a principal residence by certain employees of the intelligence community.
- Sec. 114. Special disposition rules for unused benefits in health flexible spending arrangements of individuals called to active duty.

TITLE II—IMPROVEMENTS IN SUPPLEMENTAL SECURITY INCOME

- Sec. 201. Treatment of uniformed service cash remuneration as earned income.
- Sec. 202. State annuities for certain veterans to be disregarded in determining supplemental security income benefits.
- Sec. 203. Exclusion of AmeriCorps benefits for purposes of determining supplemental security income eligibility and benefit amounts.
- Sec. 204. Effective date.

TITLE III—REVENUE PROVISIONS

- Sec. 301. Increase in penalty for failure to file partnership returns.
- Sec. 302. Increase in penalty for failure to file S corporation returns.
- Sec. 303. Increase in minimum penalty on failure to file a return of tax.
- Sec. 304. Increase in information return penalties.
- Sec. 305. Revision of tax rules on expatriation.

TITLE IV—TAX TECHNICAL CORRECTIONS

- Sec. 401. Short title.
- Sec. 402. Amendment related to the Tax Relief and Health Care Act of 2006.
- Sec. 403. Amendments related to title XII of the Pension Protection Act of 2006.
- Sec. 404. Amendments related to the Tax Increase Prevention and Reconciliation Act of 2005.
- Sec. 405. Amendments related to the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users.
- Sec. 406. Amendments related to the Energy Policy Act of 2005.
- Sec. 407. Amendments related to the American Jobs Creation Act of 2004.
- Sec. 408. Amendments related to the Economic Growth and Tax Relief Reconciliation Act of 2001.
- Sec. 409. Amendments related to the Tax Relief Extension Act of 1999.
- Sec. 410. Amendment related to the Internal Revenue Service Restructuring and Reform Act of 1998.
- Sec. 411. Clerical corrections.

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

- Sec. 501. Parity in application of certain limits to mental health benefits.

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
11 reason 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 ap-
14 plication of EGTRRA sunset to this title) shall not apply
15 to section 104(b) of such Act.

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

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

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

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

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

9 “(4) QUALIFIED VETERAN.—For purposes of
10 this subsection, the term ‘qualified veteran’ means
11 any veteran who—

12 “(A) served on active duty, and

13 “(B) applied for the financing before the
14 date 25 years after the last date on which such
15 veteran left active service.”.

16 (d) EFFECTIVE DATE.—The amendments made by
17 this section shall apply to bonds issued after December
18 31, 2007.

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

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

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

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

20 “(9) TREATMENT IN THE CASE OF DEATH OR
21 DISABILITY RESULTING FROM ACTIVE MILITARY
22 SERVICE.—

23 “(A) IN GENERAL.—For benefit accrual
24 purposes, an employer sponsoring a retirement
25 plan may treat an individual who dies or be-

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

18 “(B) NONDISCRIMINATION REQUIRE-
19 MENT.—Subparagraph (A) shall apply only if
20 all individuals performing qualified military
21 service with respect to the employer maintain-
22 ing the plan (as determined under subsections
23 (b), (c), (m), and (o)) who die or became dis-
24 abled as a result of performing qualified mili-
25 tary service prior to reemployment by the em-

1 ployer are credited with service and benefits on
2 reasonably equivalent terms.

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

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

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

18 (c) CONFORMING AMENDMENTS.—

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

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

23 “(14) DEATH BENEFITS UNDER USERRA-QUALI-
24 FIED ACTIVE MILITARY SERVICE.—This subsection
25 shall not apply to an annuity contract unless such

1 contract meets the requirements of section
2 401(a)(37).”.

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

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

10 (d) EFFECTIVE DATE.—

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

14 (2) PROVISIONS RELATING TO PLAN AMEND-
15 MENTS.—

16 (A) IN GENERAL.—If this subparagraph
17 applies to any plan or contract amendment,
18 such plan or contract shall be treated as being
19 operated in accordance with the terms of the
20 plan during the period described in subpara-
21 graph (B)(iii).

22 (B) AMENDMENTS TO WHICH SUBPARA-
23 GRAPH (A) APPLIES.—

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

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

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

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

17 (ii) CONDITIONS.—This paragraph
18 shall not apply to any amendment unless—

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

23 (II) such plan or contract amend-
24 ment applies retroactively for such pe-
25 riod.

1 (iii) PERIOD DESCRIBED.—The period
2 described in this clause is the period—
3 (I) beginning on the effective
4 date specified by the plan, and
5 (II) ending on the date described
6 in clause (i)(II) (or, if earlier, the
7 date the plan or contract amendment
8 is adopted).

9 **SEC. 104. TREATMENT OF DIFFERENTIAL MILITARY PAY AS**
10 **WAGES.**

11 (a) INCOME TAX WITHHOLDING ON DIFFERENTIAL
12 WAGE PAYMENTS.—

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

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

18 “(1) IN GENERAL.—For purposes of subsection
19 (a), any differential wage payment shall be treated
20 as a payment of wages by the employer to the em-
21 ployee.

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

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

7 “(B) represents all or a portion of the
8 wages the individual would have received from
9 the employer if the individual were performing
10 service for the employer.”.

11 (2) EFFECTIVE DATE.—The amendment made
12 by this subsection shall apply to remuneration paid
13 after December 31, 2007.

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

16 (1) PENSION PLANS.—

17 (A) IN GENERAL.—Section 414(u) (relat-
18 ing to special rules relating to veterans’ reem-
19 ployment rights under USERRA), as amended
20 by section 103(b), is amended by adding at the
21 end the following new paragraph:

22 “(12) TREATMENT OF DIFFERENTIAL WAGE
23 PAYMENTS.—

24 “(A) IN GENERAL.—Except as provided in
25 this paragraph, for purposes of applying this

1 title to a retirement plan to which this sub-
2 section applies—

3 “(i) an individual receiving a differen-
4 tial wage payment shall be treated as an
5 employee of the employer making the pay-
6 ment,

7 “(ii) the differential wage payment
8 shall be treated as compensation, and

9 “(iii) the plan shall not be treated as
10 failing to meet the requirements of any
11 provision described in paragraph (1)(C) by
12 reason of any contribution or benefit which
13 is based on the differential wage payment.

14 “(B) SPECIAL RULE FOR DISTRIBU-
15 TIONS.—

16 “(i) IN GENERAL.—Notwithstanding
17 subparagraph (A)(i), for purposes of sec-
18 tion 401(k)(2)(B)(i)(I), 403(b)(7)(A)(ii),
19 403(b)(11)(A), or 457(d)(1)(A)(ii), an in-
20 dividual shall be treated as having been
21 severed from employment during any pe-
22 riod the individual is performing service in
23 the uniformed services described in section
24 3401(h)(2)(A).

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

8 “(C) NONDISCRIMINATION REQUIRE-
9 MENT.—Subparagraph (A)(iii) shall apply only
10 if all employees of an employer (as determined
11 under subsections (b), (c), (m), and (o)) performing service in the uniformed services described in section 3401(h)(2)(A) are entitled to receive differential wage payments on reasonably equivalent terms and, if eligible to participate in a retirement plan maintained by the employer, to make contributions based on the payments on reasonably equivalent terms. For purposes of applying this subparagraph, the provisions of paragraphs (3), (4), and (5) of section 410(b) shall apply.
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22 “(D) DIFFERENTIAL WAGE PAYMENT.—
23 For purposes of this paragraph, the term ‘differential wage payment’ has the meaning given
24 such term by section 3401(h)(2).”
25

1 (B) CONFORMING AMENDMENT.—The
2 heading for section 414(u) is amended by in-
3 sserting “AND TO DIFFERENTIAL WAGE PAY-
4 MENTS TO MEMBERS ON ACTIVE DUTY” after
5 “USERRA”.

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

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

16 (c) PROVISIONS RELATING TO PLAN AMEND-
17 MENTS.—

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 annuity
3 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
7 first plan year beginning on or after Janu-
8 ary 1, 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
14 not apply to any plan or annuity contract
15 amendment 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 con-
23 tract amendment were in effect, and

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

1 **SEC. 105. EXTENSION OF EXCLUSION FROM INCOME FOR**
2 **BENEFITS PROVIDED TO VOLUNTEER FIRE-**
3 **FIGHTERS AND EMERGENCY MEDICAL RE-**
4 **SPONDERS.**

5 Subsection (d) of section 139B (relating to termi-
6 nation), as added to the Internal Revenue Code of 1986
7 by section 5 of the Mortgage Forgiveness Debt Relief Act
8 of 2007, is amended by striking “December 31, 2010” and
9 inserting “December 31, 2015”.

10 **SEC. 106. SPECIAL PERIOD OF LIMITATION WHEN UNI-**
11 **FORMED SERVICES RETIRED PAY IS RE-**
12 **DUCED AS A RESULT OF AWARD OF DIS-**
13 **ABILITY COMPENSATION.**

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

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

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

25 “(i) the reduction of uniformed serv-
26 ices retired pay computed under section

1 1406 or 1407 of title 10, United States
2 Code, or

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

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

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

21 (c) TRANSITION RULES.—In the case of a determina-
22 tion described in paragraph (8) of section 6511(d) of the
23 Internal Revenue Code of 1986 (as added by this section)
24 which is made by the Secretary of Veterans Affairs after

1 December 31, 2000, and before the date of the enactment
2 of this Act, such paragraph—

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

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

8 **SEC. 107. DISTRIBUTIONS FROM RETIREMENT PLANS TO**
9 **INDIVIDUALS CALLED TO ACTIVE DUTY.**

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

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

15 **SEC. 108. DISCLOSURE OF RETURN INFORMATION RELAT-**
16 **ING TO VETERANS PROGRAMS MADE PERMA-**
17 **NENT.**

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

1 (b) **TECHNICAL AMENDMENT.**—Section
2 6103(l)(7)(D)(viii)(III) is amended by striking “sections
3 1710(a)(1)(I), 1710(a)(2), 1710(b), and 1712(a)(2)(B)”
4 and inserting “sections 1710(a)(2)(G), 1710(a)(3), and
5 1710(b)”.

6 **SEC. 109. CONTRIBUTIONS OF MILITARY DEATH GRATU-**
7 **ITIES TO ROTH IRAS AND EDUCATION SAV-**
8 **INGS ACCOUNTS.**

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

14 “(e) **QUALIFIED ROLLOVER CONTRIBUTION.**—For
15 purposes of this section—

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

1 individual retirement plan (other than a Roth IRA)
2 to a Roth IRA.

3 “(2) MILITARY DEATH GRATUITY.—

4 “(A) IN GENERAL.—The term ‘qualified
5 rollover contribution’ includes a contribution to
6 a Roth IRA maintained for the benefit of an in-
7 dividual made before the end of the 1-year pe-
8 riod beginning on the date on which such indi-
9 vidual receives an amount under section 1477
10 of title 10, United States Code, or section 1967
11 of title 38 of such Code, with respect to a per-
12 son, to the extent that such contribution does
13 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
22 ROLLOVERS NOT TO APPLY.—Section
23 408(d)(3)(B) shall not apply with respect to
24 amounts treated as a rollover by subparagraph
25 (A).

1 “(C) APPLICATION OF SECTION 72.—For
2 purposes of applying section 72 in the case of
3 a 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
9 after the amendments made by section 824 of the Pension
10 Protection Act of 2006, is amended to read as follows:

11 “(e) QUALIFIED ROLLOVER CONTRIBUTION.—For
12 purposes 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

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

3 For purposes of section 408(d)(3)(B), there
4 shall be disregarded any qualified rollover con-
5 tribution from an individual retirement plan
6 (other 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 pe-
12 riod beginning on the date on which such indi-
13 vidual receives an amount under section 1477
14 of title 10, United States Code, or section 1967
15 of title 38 of such Code, with respect to a per-
16 son, to the extent that such contribution does
17 not exceed—

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

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

1 “(B) ANNUAL LIMIT ON NUMBER OF
2 ROLLOVERS NOT TO APPLY.—Section
3 408(d)(3)(B) shall not apply with respect to
4 amounts treated as a rollover by the subpara-
5 graph (A).

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

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

15 “(9) MILITARY DEATH GRATUITY.—

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

1 “(i) the sum of the amounts received
2 during such period by such contributor
3 under such sections with respect to such
4 person, reduced by

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

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

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

20 (d) EFFECTIVE DATES.—

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

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

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

20 **SEC. 110. SUSPENSION OF 5-YEAR PERIOD DURING SERV-**
21 **ICE WITH THE PEACE CORPS.**

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

25 “(12) PEACE CORPS.—

1 “(A) IN GENERAL.—At the election of an
2 individual with respect to a property, the run-
3 ning of the 5-year period described in sub-
4 sections (a) and (c)(1)(B) and paragraph (7) of
5 this subsection with respect to such property
6 shall be suspended during any period that such
7 individual or such individual’s spouse is serving
8 outside the United States—

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

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

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

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

1 **SEC. 111. 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. 112. 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. 113. PERMANENT EXCLUSION OF GAIN FROM SALE OF**
7 **A PRINCIPAL RESIDENCE BY CERTAIN EM-**
8 **PLOYEES OF THE INTELLIGENCE COMMU-**
9 **NITY.**

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

13 (b) **DUTY STATION MAY BE INSIDE UNITED**
14 **STATES.**—Section 121(d)(9)(C) (defining qualified official
15 extended duty) is amended by striking clause (vi).

16 (c) **EFFECTIVE DATE.**—The amendments made by
17 this section shall apply to sales or exchanges after Decem-
18 ber 31, 2010.

19 **SEC. 114. SPECIAL DISPOSITION RULES FOR UNUSED BENE-**
20 **FITS IN HEALTH FLEXIBLE SPENDING AR-**
21 **RANGEMENTS OF INDIVIDUALS CALLED TO**
22 **ACTIVE DUTY.**

23 (a) **IN GENERAL.**—Section 125 (relating to cafeteria
24 plans) is amended by redesignating subsections (h) and

1 (i) as subsection (i) and (j), respectively, and by inserting
2 after subsection (g) the following new subsection:

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

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

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

16 “(A) such individual was (by reason of
17 being a member of a reserve component (as de-
18 fined in section 101 of title 37, United States
19 Code)) ordered or called to active duty for a pe-
20 riod in excess of 179 days or for an indefinite
21 period, and

22 “(B) such distribution is made during the
23 period beginning on the date of such order or
24 call and ending on the last date that reimburse-
25 ments could otherwise be made under such ar-

1 rangement for the plan year which includes the
2 date of such order or call.”.

3 (b) **EFFECTIVE DATE.**—The amendment made by
4 this section shall apply to distributions made after the
5 date of the enactment of this Act.

6 **TITLE II—IMPROVEMENTS IN**
7 **SUPPLEMENTAL SECURITY**
8 **INCOME**

9 **SEC. 201. TREATMENT OF UNIFORMED SERVICE CASH RE-**
10 **MUNERATION AS EARNED INCOME.**

11 (a) **IN GENERAL.**—Section 1612(a)(1)(A) of the So-
12 cial Security Act (42 U.S.C. 1382a(a)(1)(A)) is amended
13 by inserting “(and, in the case of cash remuneration paid
14 for service as a member of a uniformed service (other than
15 payments described in paragraph (2)(H) of this subsection
16 or subsection (b)(20)), without regard to the limitations
17 contained in section 209(d))” before the semicolon.

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

21 (1) by striking “and” at the end of subpara-
22 graph (F);

23 (2) by striking the period at the end of sub-
24 paragraph (G) and inserting “; and”; and

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

1 “(H) payments to or on behalf of a mem-
2 ber of a uniformed service for housing of the
3 member (and his or her dependents, if any) on
4 a facility of a uniformed service, including pay-
5 ments provided under section 403 of title 37,
6 United States Code, for housing that is ac-
7 quired or constructed under subchapter IV of
8 chapter 169 of title 10 of such Code, or any re-
9 lated provision of law, and any such payments
10 shall be treated as support and maintenance in
11 kind subject to subparagraph (A) of this para-
12 graph.”.

13 **SEC. 202. STATE ANNUITIES FOR CERTAIN VETERANS TO**
14 **BE DISREGARDED IN DETERMINING SUPPLE-**
15 **MENTAL SECURITY INCOME BENEFITS.**

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

18 (1) by striking “and” at the end of paragraph
19 (22);

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

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

23 “(24) any annuity paid by a State to the indi-
24 vidual (or such spouse) on the basis of the individ-
25 ual’s being a veteran (as defined in section 101 of

1 title 38, United States Code), and blind, disabled, or
2 aged.”.

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

5 (1) by striking “and” at the end of paragraph
6 (14);

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

9 (3) by inserting after paragraph (15) the fol-
10 lowing:

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

17 **SEC. 203. EXCLUSION OF AMERICORPS BENEFITS FOR PUR-**
18 **POSES OF DETERMINING SUPPLEMENTAL SE-**
19 **CURITY INCOME ELIGIBILITY AND BENEFIT**
20 **AMOUNTS.**

21 Section 1612(b) of the Social Security Act (42 U.S.C.
22 1382a(b)), as amended by section 202(a) of this Act, is
23 amended—

24 (1) in paragraph (23), by striking “and” at the
25 end;

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

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

4 “(25) any benefit (whether cash or in-kind)
5 conferred upon (or paid on behalf of) a participant
6 in an AmeriCorps position approved by the Corpora-
7 tion for National and Community Service under
8 section 123 of the National and Community Service
9 Act of 1990 (42 U.S.C. 12573).”.

10 **SEC. 204. EFFECTIVE DATE.**

11 The amendments made by this title shall be effective
12 with respect to benefits payable for months beginning
13 after 60 days after the date of the enactment of this Act.

14 **TITLE III—REVENUE**
15 **PROVISIONS**

16 **SEC. 301. INCREASE IN PENALTY FOR FAILURE TO FILE**
17 **PARTNERSHIP RETURNS.**

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

23 (b) EFFECTIVE DATE.—The amendment made by
24 subsection (a) shall take effect as if included in the

1 amendments made by section 8 of the Mortgage Forgive-
2 ness Debt Relief Act of 2007.

3 **SEC. 302. INCREASE IN PENALTY FOR FAILURE TO FILE S**
4 **CORPORATION RETURNS.**

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

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

14 **SEC. 303. INCREASE IN MINIMUM PENALTY ON FAILURE TO**
15 **FILE A RETURN OF TAX.**

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

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

23 **SEC. 304. INCREASE IN INFORMATION RETURN PENALTIES.**

24 (a) FAILURE TO FILE CORRECT INFORMATION RE-
25 TURNS.—

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

4 (2) AGGREGATE ANNUAL LIMITATION.—Sub-
5 sections (a)(1), (d)(1)(A), and (e)(3)(A) of section
6 6721 are each amended by striking “\$250,000” and
7 inserting “\$1,500,000”.

8 (b) REDUCTION WHERE CORRECTION WITHIN 30
9 DAYS.—

10 (1) IN GENERAL.—Subparagraph (A) of section
11 6721(b)(1) is amended by striking “\$15” and insert-
12 ing “\$50”.

13 (2) AGGREGATE ANNUAL LIMITATION.—Sub-
14 sections (b)(1)(B) and (d)(1)(B) of section 6721 are
15 each amended by striking “\$75,000” and inserting
16 “\$500,000”.

17 (c) REDUCTION WHERE CORRECTION ON OR BEFORE
18 AUGUST 1.—

19 (1) IN GENERAL.—Subparagraph (A) of section
20 6721(b)(2) is amended by striking “\$30” and insert-
21 ing “\$75”.

22 (2) AGGREGATE ANNUAL LIMITATION.—Sub-
23 sections (b)(2)(B) and (d)(1)(C) of section 6721 are
24 each amended by striking “\$150,000” and inserting
25 “\$1,000,000”.

1 (d) AGGREGATE ANNUAL LIMITATIONS FOR PER-
2 SONS WITH GROSS RECEIPTS OF NOT MORE THAN
3 \$5,000,000.—Paragraph (1) of section 6721(d) is amend-
4 ed—

5 (1) by striking “\$100,000” in subparagraph
6 (A) and inserting “\$500,000”,

7 (2) by striking “\$25,000” in subparagraph (B)
8 and inserting “\$100,000”, and

9 (3) by striking “\$50,000” in subparagraph (C)
10 and inserting “\$250,000”.

11 (e) PENALTY IN CASE OF INTENTIONAL DIS-
12 REGARD.—Paragraph (2) of section 6721(e) is amended
13 by striking “\$100” and inserting “\$250”.

14 (f) FAILURE TO FURNISH CORRECT PAYEE STATE-
15 MENTS.—

16 (1) IN GENERAL.—Subsection (a) of section
17 6722 is amended by striking “\$50” and inserting
18 “\$100”.

19 (2) AGGREGATE ANNUAL LIMITATION.—Sub-
20 sections (a) and (c)(2)(A) of section 6722 are each
21 amended by striking “\$100,000” and inserting
22 “\$500,000”.

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

1 (g) FAILURE TO COMPLY WITH OTHER INFORMA-
2 TION REPORTING REQUIREMENTS.—Section 6723 is
3 amended—

4 (1) by striking “\$50” and inserting “\$100”,
5 and

6 (2) by striking “\$100,000” and inserting
7 “\$500,000”.

8 (h) EFFECTIVE DATE.—The amendments made by
9 this section shall apply with respect to information returns
10 required to be filed on or after January 1, 2008.

11 **SEC. 305. REVISION OF TAX RULES ON EXPATRIATION.**

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

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

16 “(a) GENERAL RULES.—For purposes of this sub-
17 title—

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

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

24 “(A) notwithstanding any other provision
25 of this title, any gain arising from such sale

1 shall be taken into account for the taxable year
2 of the sale, and

3 “(B) any loss arising from such sale shall
4 be taken into account for the taxable year of
5 the sale to the extent otherwise provided by this
6 title, except that section 1091 shall not apply to
7 any such loss.

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

12 “(3) EXCLUSION FOR CERTAIN GAIN.—

13 “(A) IN GENERAL.—The amount which
14 would (but for this paragraph) be includible in
15 the gross income of any individual by reason of
16 paragraph (1) shall be reduced (but not below
17 zero) by \$600,000.

18 “(B) ADJUSTMENT FOR INFLATION.—

19 “(i) IN GENERAL.—In the case of any
20 taxable year beginning in a calendar year
21 after 2008, the dollar amount in subpara-
22 graph (A) shall be increased by an amount
23 equal to—

24 “(I) such dollar amount, multi-
25 plied by

1 “(II) the cost-of-living adjust-
2 ment determined under section 1(f)(3)
3 for the calendar year in which the tax-
4 able year begins, by substituting ‘cal-
5 endar year 2007’ for ‘calendar year
6 1992’ in subparagraph (B) thereof.

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

11 “(b) ELECTION TO DEFER TAX.—

12 “(1) IN GENERAL.—If the taxpayer elects the
13 application of this subsection with respect to any
14 property treated as sold by reason of subsection (a),
15 the time for payment of the additional tax attrib-
16 utable to such property shall be extended until the
17 due date of the return for the taxable year in which
18 such property is disposed of (or, in the case of prop-
19 erty disposed of in a transaction in which gain is not
20 recognized in whole or in part, until such other date
21 as the Secretary may prescribe).

22 “(2) DETERMINATION OF TAX WITH RESPECT
23 TO PROPERTY.—For purposes of paragraph (1), the
24 additional tax attributable to any property is an
25 amount which bears the same ratio to the additional

1 tax imposed by this chapter for the taxable year
2 solely by reason of subsection (a) as the gain taken
3 into account under subsection (a) with respect to
4 such property bears to the total gain taken into ac-
5 count under subsection (a) with respect to all prop-
6 erty to which subsection (a) applies.

7 “(3) TERMINATION OF EXTENSION.—The due
8 date for payment of tax may not be extended under
9 this subsection later than the due date for the re-
10 turn of tax imposed by this chapter for the taxable
11 year which includes the date of death of the expa-
12 triate (or, if earlier, the time that the security pro-
13 vided with respect to the property fails to meet the
14 requirements of paragraph (4), unless the taxpayer
15 corrects such failure within the time specified by the
16 Secretary).

17 “(4) SECURITY.—

18 “(A) IN GENERAL.—No election may be
19 made under paragraph (1) with respect to any
20 property unless adequate security is provided
21 with respect to such property.

22 “(B) ADEQUATE SECURITY.—For purposes
23 of subparagraph (A), security with respect to
24 any property shall be treated as adequate secu-
25 rity if—

1 “(i) it is a bond which is furnished to,
2 and accepted by, the Secretary, which is
3 conditioned on the payment of tax (and in-
4 terest thereon), and which meets the re-
5 quirements of section 6325, or

6 “(ii) it is another form of security for
7 such payment (including letters of credit)
8 that meets such requirements as the Sec-
9 retary may prescribe.

10 “(5) WAIVER OF CERTAIN RIGHTS.—No elec-
11 tion may be made under paragraph (1) unless the
12 taxpayer makes an irrevocable waiver of any right
13 under any treaty of the United States which would
14 preclude assessment or collection of any tax imposed
15 by reason of this section.

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

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

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

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

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

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

7 “(d) TREATMENT OF DEFERRED COMPENSATION
8 ITEMS.—

9 “(1) WITHHOLDING ON ELIGIBLE DEFERRED
10 COMPENSATION ITEMS.—

11 “(A) IN GENERAL.—In the case of any eli-
12 gible deferred compensation item, the payor
13 shall deduct and withhold from any taxable
14 payment to a covered expatriate with respect to
15 such item a tax equal to 30 percent thereof.

16 “(B) TAXABLE PAYMENT.—For purposes
17 of subparagraph (A), the term ‘taxable pay-
18 ment’ means with respect to a covered expa-
19 triate any payment to the extent it would be in-
20 cludible in the gross income of the covered ex-
21 patriate if such expatriate continued to be sub-
22 ject to tax as a citizen or resident of the United
23 States. A deferred compensation item shall be
24 taken into account as a payment under the pre-

1 ceding sentence when such item would be so in-
2 cludible.

3 “(2) OTHER DEFERRED COMPENSATION
4 ITEMS.—In the case of any deferred compensation
5 item which is not an eligible deferred compensation
6 item—

7 “(A)(i) with respect to any deferred com-
8 pensation item to which clause (ii) does not
9 apply, an amount equal to the present value of
10 the covered expatriate’s accrued benefit shall be
11 treated as having been received by such indi-
12 vidual on the day before the expatriation date
13 as a distribution under the plan, and

14 “(ii) with respect to any deferred com-
15 pensation item referred to in paragraph (4)(D),
16 the rights of the covered expatriate to such item
17 shall be treated as becoming transferable and
18 not subject to a substantial risk of forfeiture on
19 the day before the expatriation date,

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

22 “(C) appropriate adjustments shall be
23 made to subsequent distributions from the plan
24 to reflect such treatment.

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

5 “(A) the payor of such item is—

6 “(i) a United States person, or

7 “(ii) a person who is not a United
8 States person but who elects to be treated
9 as a United States person for purposes of
10 paragraph (1) and meets such require-
11 ments as the Secretary may provide to en-
12 sure that the payor will meet the require-
13 ments of paragraph (1), and

14 “(B) the covered expatriate—

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

17 “(ii) makes an irrevocable waiver of
18 any right to claim any reduction under any
19 treaty with the United States in with-
20 holding on such item.

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

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

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

3 “(C) any item of deferred compensation,
4 and

5 “(D) any property, or right to property,
6 which the individual is entitled to receive in
7 connection with the performance of services to
8 the extent not previously taken into account
9 under section 83 or in accordance with section
10 83.

11 “(5) EXCEPTION.—Paragraphs (1) and (2)
12 shall not apply to any deferred compensation item
13 which is attributable to services performed outside
14 the United States while the covered expatriate was
15 not a citizen or resident of the United States.

16 “(6) SPECIAL RULES.—

17 “(A) APPLICATION OF WITHHOLDING
18 RULES.—Rules similar to the rules of sub-
19 chapter B of chapter 3 shall apply for purposes
20 of this subsection.

21 “(B) APPLICATION OF TAX.—Any item
22 subject to the withholding tax imposed under
23 paragraph (1) shall be subject to tax under sec-
24 tion 871.

1 “(C) COORDINATION WITH OTHER WITH-
2 HOLDING REQUIREMENTS.—Any item subject to
3 withholding under paragraph (1) shall not be
4 subject to withholding under section 1441 or
5 chapter 24.

6 “(e) TREATMENT OF SPECIFIED TAX DEFERRED AC-
7 COUNTS.—

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

12 “(A) the covered expatriate shall be treat-
13 ed as receiving a distribution of his entire inter-
14 est in such account on the day before the expa-
15 triation date,

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

18 “(C) appropriate adjustments shall be
19 made to subsequent distributions from the ac-
20 count to reflect such treatment.

21 “(2) SPECIFIED TAX DEFERRED ACCOUNT.—
22 For purposes of paragraph (1), the term ‘specified
23 tax deferred account’ means an individual retirement
24 plan (as defined in section 7701(a)(37)) other than
25 any arrangement described in subsection (k) or (p)

1 of section 408, a qualified tuition program (as de-
2 fined in section 529), a Coverdell education savings
3 account (as defined in section 530), a health savings
4 account (as defined in section 223), and an Archer
5 MSA (as defined in section 220).

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

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

10 “(A) the trustee shall deduct and withhold
11 from such distribution an amount equal to 30
12 percent of the taxable portion of the distribu-
13 tion, and

14 “(B) if the fair market value of such prop-
15 erty exceeds its adjusted basis in the hands of
16 the trust, gain shall be recognized to the trust
17 as if such property were sold to the expatriate
18 at its fair market value.

19 “(2) TAXABLE PORTION.—For purposes of this
20 subsection, the term ‘taxable portion’ means, with
21 respect to any distribution, that portion of the dis-
22 tribution which would be includible in the gross in-
23 come of the covered expatriate if such expatriate
24 continued to be subject to tax as a citizen or resi-
25 dent of the United States.

1 “(3) NONGRANTOR TRUST.—For purposes of
2 this subsection, the term ‘nongrantor trust’ means
3 the portion of any trust that the individual is not
4 considered the owner of under subpart E of part I
5 of subchapter J. The determination under the pre-
6 ceding sentence shall be made immediately before
7 the expatriation date.

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

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

12 “(B) the covered expatriate shall be treat-
13 ed as having waived any right to claim any re-
14 duction under any treaty with the United
15 States in withholding on any distribution to
16 which paragraph (1)(A) applies unless the cov-
17 ered expatriate agrees to such other treatment
18 as the Secretary determines appropriate.

19 “(5) APPLICATION.—This subsection shall
20 apply to a nongrantor trust only if the covered expa-
21 triate was a beneficiary of the trust on the day be-
22 fore the expatriation date.

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

25 “(1) COVERED EXPATRIATE.—

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

5 “(B) EXCEPTIONS.—An individual shall
6 not be treated as meeting the requirements of
7 subparagraph (A) or (B) of section 877(a)(2)
8 if—

9 “(i) the individual—

10 “(I) became at birth a citizen of
11 the United States and a citizen of an-
12 other country and, as of the expatria-
13 tion date, continues to be a citizen of,
14 and is taxed as a resident of, such
15 other country, and

16 “(II) has been a resident of the
17 United States (as defined in section
18 7701(b)(1)(A)(ii)) for not more than
19 10 taxable years during the 15-tax-
20 able year period ending with the tax-
21 able year during which the expatria-
22 tion date occurs, or

23 “(ii)(I) the individual’s relinquishment
24 of United States citizenship occurs before
25 such individual attains age 18½, and

1 “(II) the individual has been a resi-
2 dent of the United States (as so defined)
3 for not more than 10 taxable years before
4 the date of relinquishment.

5 “(C) COVERED EXPATRIATES ALSO SUB-
6 JECT TO TAX AS CITIZENS OR RESIDENTS.—In
7 the case of any covered expatriate who is sub-
8 ject to tax as a citizen or resident of the United
9 States for any period beginning after the expa-
10 triation date, such individual shall not be treat-
11 ed as a covered expatriate during such period
12 for purposes of subsections (d)(1) and (f) and
13 section 2801.

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

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

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

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

24 “(A) the date an individual relinquishes
25 United States citizenship, or

1 “(B) in the case of a long-term resident of
2 the United States, the date on which the indi-
3 vidual ceases to be a lawful permanent resident
4 of the United States (within the meaning of
5 section 7701(b)(6)).

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

9 “(A) the date the individual renounces his
10 United States nationality before a diplomatic or
11 consular officer of the United States pursuant
12 to paragraph (5) of section 349(a) of the Immi-
13 gration and Nationality Act (8 U.S.C.
14 1481(a)(5)),

15 “(B) the date the individual furnishes to
16 the United States Department of State a signed
17 statement of voluntary relinquishment of
18 United States nationality confirming the per-
19 formance of an act of expatriation specified in
20 paragraph (1), (2), (3), or (4) of section 349(a)
21 of the Immigration and Nationality Act (8
22 U.S.C. 1481(a)(1)–(4)),

23 “(C) the date the United States Depart-
24 ment of State issues to the individual a certifi-
25 cate of loss of nationality, or

1 “(D) the date a court of the United States
2 cancels a naturalized citizen’s certificate of nat-
3 uralization.

4 Subparagraph (A) or (B) shall not apply to any indi-
5 vidual unless the renunciation or voluntary relin-
6 quishment is subsequently approved by the issuance
7 to the individual of a certificate of loss of nationality
8 by the United States Department of State.

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

12 “(6) EARLY DISTRIBUTION TAX.—The term
13 ‘early distribution tax’ means any increase in tax im-
14 posed under section 72(t), 220(e)(4), 223(f)(4),
15 409A(a)(1)(B), 529(c)(6), or 530(d)(4).

16 “(h) OTHER RULES.—

17 “(1) TERMINATION OF DEFERRALS, ETC.—In
18 the case of any covered expatriate, notwithstanding
19 any other provision of this title—

20 “(A) any time period for acquiring prop-
21 erty which would result in the reduction in the
22 amount of gain recognized with respect to prop-
23 erty disposed of by the taxpayer shall terminate
24 on the day before the expatriation date, and

1 “(B) any extension of time for payment of
2 tax shall cease to apply on the day before the
3 expatriation date and the unpaid portion of
4 such tax shall be due and payable at the time
5 and in the manner prescribed by the Secretary.

6 “(2) STEP-UP IN BASIS.—Solely for purposes of
7 determining any tax imposed by reason of subsection
8 (a), property which was held by an individual on the
9 date the individual first became a resident of the
10 United States (within the meaning of section
11 7701(b)) shall be treated as having a basis on such
12 date of not less than the fair market value of such
13 property on such date. The preceding sentence shall
14 not apply if the individual elects not to have such
15 sentence apply. Such an election, once made, shall
16 be irrevocable.

17 “(3) COORDINATION WITH SECTION 684.—If the
18 expatriation of any individual would result in the
19 recognition of gain under section 684, this section
20 shall be applied after the application of section 684.

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

1 (b) TAX ON GIFTS AND BEQUESTS RECEIVED BY
2 UNITED STATES CITIZENS AND RESIDENTS FROM EXPA-
3 TRIATES.—

4 (1) IN GENERAL.—Subtitle B (relating to estate
5 and gift taxes) is amended by inserting after chapter
6 14 the following new chapter:

7 **“CHAPTER 15—GIFTS AND BEQUESTS**
8 **FROM EXPATRIATES**

“Sec. 2801. Imposition of tax.

9 **“SEC. 2801. IMPOSITION OF TAX.**

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

14 “(1) the highest rate of tax specified in the
15 table contained in section 2001(c) as in effect on the
16 date of such receipt (or, if greater, the highest rate
17 of tax specified in the table applicable under section
18 2502(a) as in effect on the date), and

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

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

23 “(c) EXCEPTION FOR CERTAIN GIFTS.—Subsection
24 (a) shall apply only to the extent that the value of covered

1 gifts and bequests received by any person during the cal-
2 endar year exceeds the dollar amount in effect under sec-
3 tion 2503(b) for such calendar year.

4 “(d) TAX REDUCED BY FOREIGN GIFT OR ESTATE
5 TAX.—The tax imposed by subsection (a) on any covered
6 gift or bequest shall be reduced by the amount of any gift
7 or estate tax paid to a foreign country with respect to such
8 covered gift or bequest.

9 “(e) COVERED GIFT OR BEQUEST.—

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

12 “(A) any property acquired by gift directly
13 or indirectly from an individual who, at the
14 time of such acquisition, is a covered expatriate,
15 and

16 “(B) any property acquired directly or in-
17 directly by reason of the death of an individual
18 who, immediately before such death, was a cov-
19 ered expatriate.

20 “(2) EXCEPTIONS FOR TRANSFERS OTHERWISE
21 SUBJECT TO ESTATE OR GIFT TAX.—Such term shall
22 not include—

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

1 “(B) any property included in the gross es-
2 tate of the covered expatriate for purposes of
3 chapter 11 and shown on a timely filed return
4 of tax imposed by chapter 11 of the estate of
5 the covered expatriate.

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

12 “(4) TRANSFERS IN TRUST.—

13 “(A) DOMESTIC TRUSTS.—In the case of a
14 covered gift or bequest made to a domestic
15 trust—

16 “(i) subsection (a) shall apply in the
17 same manner as if such trust were a
18 United States citizen, and

19 “(ii) the tax imposed by subsection (a)
20 on such gift or bequest shall be paid by
21 such trust.

22 “(B) FOREIGN TRUSTS.—

23 “(i) IN GENERAL.—In the case of a
24 covered gift or bequest made to a foreign
25 trust, subsection (a) shall apply to any dis-

1 tribution attributable to such gift or be-
2 quest from such trust (whether from in-
3 come or corpus) to a United States citizen
4 or resident in the same manner as if such
5 distribution were a covered gift or bequest.

6 “(ii) DEDUCTION FOR TAX PAID BY
7 RECIPIENT.—There shall be allowed as a
8 deduction under section 164 the amount of
9 tax imposed by this section which is paid
10 or accrued by a United States citizen or
11 resident by reason of a distribution from a
12 foreign trust, but only to the extent such
13 tax is imposed on the portion of such dis-
14 tribution which is included in the gross in-
15 come of such citizen or resident.

16 “(iii) ELECTION TO BE TREATED AS
17 DOMESTIC TRUST.—Solely for purposes of
18 this section, a foreign trust may elect to be
19 treated as a domestic trust. Such an elec-
20 tion may be revoked with the consent of
21 the Secretary.

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

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

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

5 (c) DEFINITION OF TERMINATION OF UNITED
6 STATES CITIZENSHIP.—

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

9 “(50) TERMINATION OF UNITED STATES CITI-
10 ZENSHIP.—

11 “(A) IN GENERAL.—An individual shall
12 not cease to be treated as a United States citi-
13 zen before the date on which the individual’s
14 citizenship is treated as relinquished under sec-
15 tion 877A(g)(4).

16 “(B) DUAL CITIZENS.—Under regulations
17 prescribed by the Secretary, subparagraph (A)
18 shall not apply to an individual who became at
19 birth a citizen of the United States and a citi-
20 zen of another country.”.

21 (2) CONFORMING AMENDMENTS.—

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

24 “(1) IN GENERAL.—Any long-term resident of
25 the United States who ceases to be a lawful perma-

1 nent resident of the United States (within the mean-
2 ing of section 7701(b)(6)) shall be treated for pur-
3 poses of this section and sections 2107, 2501, and
4 6039G in the same manner as if such resident were
5 a citizen of the United States who lost United States
6 citizenship on the date of such cessation or com-
7 mencement.”.

8 (B) Paragraph (6) of section 7701(b) is
9 amended by adding at the end the following
10 flush sentence:

11 “An individual shall cease to be treated as a lawful
12 permanent resident of the United States if such in-
13 dividual commences to be treated as a resident of a
14 foreign country under the provisions of a tax treaty
15 between the United States and the foreign country,
16 does not waive the benefits of such treaty applicable
17 to residents of the foreign country, and notifies the
18 Secretary of the commencement of such treatment.”.

19 (C) Section 7701 is amended by striking
20 subsection (n) and by redesignating subsections
21 (o) and (p) as subsections (n) and (o), respec-
22 tively.

23 (d) INFORMATION RETURNS.—Section 6039G is
24 amended—

1 (1) by inserting “or 877A” after “section
2 877(b)” in subsection (a), and

3 (2) by inserting “or 877A” after “section
4 877(a)” in subsection (d).

5 (e) CLERICAL AMENDMENT.—The table of sections
6 for subpart A of part II of subchapter N of chapter 1
7 is amended by inserting after the item relating to section
8 877 the following new item:

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

9 (f) EFFECTIVE DATE.—

10 (1) IN GENERAL.—Except as provided in this
11 subsection, the amendments made by this section
12 shall apply to expatriates (as defined in section
13 877A(g) of the Internal Revenue Code of 1986, as
14 added by this section) whose expatriation date (as so
15 defined) is on or after the date of the enactment of
16 this Act.

17 (2) GIFTS AND BEQUESTS.—Chapter 15 of the
18 Internal Revenue Code of 1986 (as added by sub-
19 section (b)) shall apply to covered gifts and bequests
20 (as defined in section 2801 of such Code, as so
21 added) received on or after the date of the enact-
22 ment of this Act from transferors whose expatriation
23 date is on or after such date of enactment.

1 **TITLE IV—TAX TECHNICAL**
2 **CORRECTIONS**

3 **SEC. 401. SHORT TITLE.**

4 This title may be cited as the “Tax Technical Correc-
5 tions Act of 2007”.

6 **SEC. 402. AMENDMENT RELATED TO THE TAX RELIEF AND**
7 **HEALTH CARE ACT OF 2006.**

8 (a) AMENDMENT RELATED TO SECTION 402 OF DI-
9 VISION A OF THE ACT.—Subparagraph (A) of section
10 53(e)(2) is amended to read as follows:

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

16 “(i) \$5,000,

17 “(ii) 20 percent of the long-term un-
18 used minimum tax credit for such taxable
19 year, or

20 “(iii) the amount (if any) of the AMT
21 refundable credit amount determined
22 under this paragraph for the taxpayer’s
23 preceding taxable year (as determined be-
24 fore any reduction under subparagraph
25 (B)).”.

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

5 **SEC. 403. AMENDMENTS RELATED TO TITLE XII OF THE**
6 **PENSION PROTECTION ACT OF 2006.**

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

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

21 “(4) APPLICATION OF LIMITATION ON CHARIT-
22 TABLE CONTRIBUTIONS.—In the case of any chari-
23 table contribution of property to which the second
24 sentence of section 1367(a)(2) applies, paragraph

1 (1) shall not apply to the extent of the excess (if
2 any) of—

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

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

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

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

13 (1) Section 2055 is amended by striking sub-
14 section (g) and by redesignating subsection (h) as
15 subsection (g).

16 (2) Subsection (e) of section 2522 is amend-
17 ed—

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

19 (B) by redesignating paragraph (3) as
20 paragraph (2), and

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

24 “(C) INITIAL FRACTIONAL CONTRIBU-
25 TION.—For purposes of this paragraph, the

1 term ‘initial fractional contribution’ means,
2 with respect to any donor, the first gift of an
3 undivided portion of the donor’s entire interest
4 in any tangible personal property for which a
5 deduction is allowed under subsection (a) or
6 (b).”.

7 (e) AMENDMENTS RELATED TO SECTION 1219 OF
8 THE ACT.—

9 (1) Paragraph (2) of section 6695A(a) is
10 amended by inserting “a substantial estate or gift
11 tax valuation understatement (within the meaning of
12 section 6662(g)),” before “or a gross valuation
13 misstatement”.

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

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

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

1 (g) AMENDMENT RELATED TO SECTION 1225 OF
2 THE ACT.—

3 (1) Subsection (b) of section 6104 is amend-
4 ed—

5 (A) by striking “INFORMATION” in the
6 heading, and

7 (B) by adding at the end the following:
8 “Any annual return which is filed under section
9 6011 by an organization described in section
10 501(c)(3) and which relates to any tax imposed
11 by section 511 (relating to imposition of tax on
12 unrelated business income of charitable, etc.,
13 organizations) shall be treated for purposes of
14 this subsection in the same manner as if fur-
15 nished under section 6033.”.

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

18 “(ii) any annual return which is filed
19 under section 6011 by an organization de-
20 scribed in section 501(c)(3) and which re-
21 lates to any tax imposed by section 511
22 (relating to imposition of tax on unrelated
23 business income of charitable, etc., organi-
24 zations),”.

1 (3) Paragraph (2) of section 6104(d) is amend-
2 ed by striking “section 6033” and inserting “section
3 6011 or 6033”.

4 (h) AMENDMENT RELATED TO SECTION 1231 OF
5 THE ACT.—Subsection (b) of section 4962 is amended by
6 striking “or D” and inserting “D, or G”.

7 (i) AMENDMENT RELATED TO SECTION 1242 OF THE
8 ACT.—

9 (1) Subclause (II) of section 4958(c)(3)(A)(i) is
10 amended by striking “paragraph (1), (2), or (4) of
11 section 509(a)” and inserting “subparagraph
12 (C)(ii)”.

13 (2) Clause (ii) of section 4958(c)(3)(C) is
14 amended to read as follows:

15 “(ii) EXCEPTION.—Such term shall
16 not include—

17 “(I) any organization described
18 in paragraph (1), (2), or (4) of section
19 509(a), and

20 “(II) any organization which is
21 treated as described in such para-
22 graph (2) by reason of the last sen-
23 tence of section 509(a) and which is a
24 supported organization (as defined in

1 section 509(f)(3)) of the organization
2 to which subparagraph (A) applies.”.

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

7 **SEC. 404. AMENDMENTS RELATED TO THE TAX INCREASE**
8 **PREVENTION AND RECONCILIATION ACT OF**
9 **2005.**

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

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

22 (b) AMENDMENTS RELATED TO SECTION 202 OF
23 THE ACT.—

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

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

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

5 “(3) SPECIAL RULES FOR DETERMINING AC-
6 TIVE CONDUCT IN THE CASE OF AFFILIATED
7 GROUPS.—

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

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

20 “(C) TREATMENT OF TRADE OR BUSINESS
21 CONDUCTED BY ACQUIRED MEMBER.—If a cor-
22 poration became a member of a separate affili-
23 ated group as a result of one or more trans-
24 actions in which gain or loss was recognized in
25 whole or in part, any trade or business con-

1 ducted by such corporation (at the time that
2 such corporation became such a member) shall
3 be treated for purposes of paragraph (2) as ac-
4 quired in a transaction in which gain or loss
5 was recognized in whole or in part.

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

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

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

24 “(f) DETERMINATION OF TAX LIABILITY.—

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

5 “(A) if such taxpayer has taxable income
6 for such taxable year, the tax imposed by sec-
7 tion 1 for such taxable year shall be equal to
8 the excess (if any) of—

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

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

19 “(B) if such taxpayer has a taxable excess
20 (as defined in section 55(b)(1)(A)(ii)) for such
21 taxable year, the amount determined under the
22 first sentence of section 55(b)(1)(A)(i) for such
23 taxable year shall be equal to the excess (if any)
24 of—

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

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

14 “(2) SPECIAL RULES.—

15 “(A) REGULAR TAX.—In applying section
16 1(h) for purposes of determining the tax under
17 paragraph (1)(A)(i) for any taxable year in
18 which, without regard to this subsection, the
19 taxpayer’s net capital gain exceeds taxable in-
20 come (hereafter in this subparagraph referred
21 to as the capital gain excess)—

22 “(i) the taxpayer’s net capital gain
23 (determined without regard to section
24 1(h)(11)) shall be reduced (but not below
25 zero) by such capital gain excess,

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

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

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

20 “(i) the rules of subparagraph (A)
21 shall apply, except that such subparagraph
22 shall be applied by substituting ‘the tax-
23 able excess (as defined in section
24 55(b)(1)(A)(ii))’ for ‘taxable income’, and

1 “(ii) the reference in section
2 55(b)(3)(B) to the excess described in sec-
3 tion 1(h)(1)(B) shall be treated as a ref-
4 erence to such excess as determined under
5 the rules of subparagraph (A) for purposes
6 of determining the tax under paragraph
7 (1)(A)(i).

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

15 (d) EFFECTIVE DATE.—

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

21 (2) MODIFICATION OF ACTIVE BUSINESS DEFINI-
22 TION UNDER SECTION 355.—

23 (A) IN GENERAL.—Except as otherwise
24 provided in this paragraph, the amendments

1 made by subsection (b) shall apply to distribu-
2 tions made after May 17, 2006.

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

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

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

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

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

23 (D) SPECIAL RULE FOR CERTAIN PRE-EN-
24 ACTMENT DISTRIBUTIONS.—For purposes of
25 determining the continued qualification under

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

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

19 **SEC. 405. AMENDMENTS RELATED TO THE SAFE, ACCOUNT-**
20 **ABLE, FLEXIBLE, EFFICIENT TRANSPOR-**
21 **TATION EQUITY ACT: A LEGACY FOR USERS.**

22 (a) AMENDMENTS RELATED TO SECTION 11113 OF
23 THE ACT.—

24 (1) Paragraph (3) of section 6427(i) is amend-
25 ed—

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

5 (B) by inserting “or (e)(2)” after “sub-
6 section (e)(1)” in subparagraphs (A)(i) and
7 (B), and

8 (C) by striking “ALCOHOL FUEL AND BIO-
9 DIESEL MIXTURE CREDIT” and inserting “MIX-
10 TURE CREDITS AND THE ALTERNATIVE FUEL
11 CREDIT” in the heading thereof.

12 (2) Subparagraph (F) of section 6426(d)(2) is
13 amended by striking “hydrocarbons” and inserting
14 “fuel”.

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

17 “(h) DENIAL OF DOUBLE BENEFIT.—No credit shall
18 be determined under subsection (d) or (e) with respect to
19 any fuel with respect to which credit may be determined
20 under subsection (b) or (e) or under section 40 or 40A.”.

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

1 **SEC. 406. AMENDMENTS RELATED TO THE ENERGY POLICY**

2 **ACT OF 2005.**

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

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

10 (b) AMENDMENTS RELATED TO SECTION 1342 OF
11 THE ACT.—

12 (1) So much of subsection (b) of section 30C as
13 precedes paragraph (1) thereof is amended to read
14 as follows:

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

20 (2) Subsection (c) of section 30C is amended to
21 read as follows:

22 “(c) QUALIFIED ALTERNATIVE FUEL VEHICLE RE-
23 FUELING PROPERTY.—For purposes of this section, the
24 term ‘qualified alternative fuel vehicle refueling property’
25 has the same meaning as the term ‘qualified clean-fuel ve-

1 hicle refueling property' would have under section 179A
2 if—

3 “(1) paragraph (1) of section 179A(d) did not
4 apply to property installed on property which is used
5 as the principal residence (within the meaning of
6 section 121) of the taxpayer, and

7 “(2) only the following were treated as clean-
8 burning fuels for purposes of section 179A(d):

9 “(A) Any fuel at least 85 percent of the
10 volume of which consists of one or more of the
11 following: ethanol, natural gas, compressed nat-
12 ural gas, liquified natural gas, liquefied petro-
13 leum gas, or hydrogen.

14 “(B) Any mixture—

15 “(i) which consists of two or more of
16 the following: biodiesel (as defined in sec-
17 tion 40A(d)(1)), diesel fuel (as defined in
18 section 4083(a)(3)), or kerosene, and

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

23 (c) AMENDMENTS RELATED TO SECTION 1351 OF
24 THE ACT.—

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

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

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

10 (d) AMENDMENTS RELATED TO SECTION 1362 OF
11 THE ACT.—

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

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

21 “(3) EXCEPTION FOR FUEL ON WHICH LEAK-
22 ING UNDERGROUND STORAGE TANK TRUST FUND FI-
23 NANCING RATE SEPARATELY IMPOSED.—The Leak-
24 ing Underground Storage Tank Trust Fund financ-
25 ing rate under paragraph (2)(B) shall not apply to

1 the use of any fuel if tax was imposed with respect
2 to such fuel under section 4041(d) or 4081 at the
3 Leaking Underground Storage Tank Trust Fund fi-
4 nancing rate.”.

5 (C) Notwithstanding section 6430 of the Inter-
6 nal Revenue Code of 1986, a refund, credit, or pay-
7 ment may be made under subchapter B of chapter
8 65 of such Code for taxes imposed with respect to
9 any liquid after September 30, 2005, and before the
10 date of the enactment of this Act under section
11 4041(d)(1) or 4042 of such Code at the Leaking
12 Underground Storage Tank Trust Fund financing
13 rate to the extent that tax was imposed with respect
14 to such liquid under section 4081 at the Leaking
15 Underground Storage Tank Trust Fund financing
16 rate.

17 (2)(A) Paragraph (5) of section 4041(d) is
18 amended—

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

22 (ii) by adding at the end the following new
23 sentence: “The preceding sentence shall not
24 apply with respect to subsection (g)(3) and so
25 much of subsection (g)(1) as relates to vessels

1 (within the meaning of section 4221(d)(3)) em-
2 ployed in foreign trade or trade between the
3 United States and any of its possessions.”.

4 (B) Section 4082 is amended—

5 (i) by striking “(other than such tax at the
6 Leaking Underground Storage Tank Trust
7 Fund financing rate imposed in all cases other
8 than for export)” in subsection (a), and

9 (ii) by redesignating subsections (f) and
10 (g) as subsections (g) and (h), respectively, and
11 by inserting after subsection (e) the following
12 new subsection:

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

15 “(1) IN GENERAL.—Subsection (a) shall not
16 apply to the tax imposed under section 4081 at the
17 Leaking Underground Storage Tank Trust Fund fi-
18 nancing rate.

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

1 (C) Subsection (e) of section 4082 is amend-
2 ed—

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

6 “(1) the rate of tax under section
7 4081(a)(2)(A)(iii) shall be zero, and

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

12 (ii) by moving the last sentence flush with
13 the margin of such subsection (following the
14 paragraph (2) added by clause (i)).

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

16 **“SEC. 6430. TREATMENT OF TAX IMPOSED AT LEAKING UN-
17 DERGROUND STORAGE TANK TRUST FUND
18 FINANCING RATE.**

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

23 “(1) which are exempt from tax under section
24 4081(a) by reason of section 4082(f)(2),

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

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

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

9 (e) EFFECTIVE DATE.—

10 (1) IN GENERAL.—Except as otherwise pro-
11 vided in this subsection, the amendments made by
12 this section shall take effect as if included in the
13 provisions of the Energy Policy Act of 2005 to which
14 they relate.

15 (2) NONAPPLICATION OF EXEMPTION FOR OFF-
16 HIGHWAY BUSINESS USE.—The amendment made by
17 subsection (d)(3) shall apply to fuel sold for use or
18 used after the date of the enactment of this Act.

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

1 **SEC. 407. AMENDMENTS RELATED TO THE AMERICAN JOBS**
2 **CREATION ACT OF 2004.**

3 (a) AMENDMENTS RELATED TO SECTION 339 OF
4 THE ACT.—

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

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

10 “(d) CREDIT FOR LOW SULFUR DIESEL FUEL PRO-
11 DUCTION.—The deductions otherwise allowed under this
12 chapter for the taxable year shall be reduced by the
13 amount of the credit determined for the taxable year
14 under section 45H(a).”.

15 (C) Subsection (a) of section 1016 is amended
16 by striking paragraph (31) and by redesignating
17 paragraphs (32) through (37) as paragraphs (31)
18 through (36), respectively.

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

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

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

3 (3)(A) Subsections (b)(1)(A), (c)(2), (e)(1), and
4 (e)(2) of section 45H (as amended by paragraph
5 (1)) and section 179B(a) are each amended by strik-
6 ing “qualified capital costs” and inserting “qualified
7 costs”.

8 (B) The heading of paragraph (2) of section
9 45H(c) is amended by striking “CAPITAL”.

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

13 (b) AMENDMENTS RELATED TO SECTION 710 OF
14 THE ACT.—

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

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

22 (c) AMENDMENTS RELATED TO SECTION 848 OF
23 THE ACT.—

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

1 “(2) TAX-EXEMPT USE PROPERTY.—

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

6 “(i) without regard to paragraphs
7 (1)(C) and (3) thereof, and

8 “(ii) as if section 197 intangible prop-
9 erty (as defined in section 197), and prop-
10 erty described in paragraph (1)(B) or (2)
11 of section 167(f), were tangible property.

12 “(B) EXCEPTION FOR PARTNERSHIPS.—
13 Such term shall not include any property which
14 would (but for this subparagraph) be tax-ex-
15 empt use property solely by reason of section
16 168(h)(6).

17 “(C) CROSS REFERENCE.—For treatment
18 of partnerships as leases to which section
19 168(h) applies, see section 7701(e).”.

20 (2) Subparagraph (A) of section 470(d)(1) is
21 amended by striking “(at any time during the lease
22 term)” and inserting “(at all times during the lease
23 term)”.

24 (d) AMENDMENTS RELATED TO SECTION 888 OF
25 THE ACT.—

1 (1) Subparagraph (A) of section 1092(a)(2) is
2 amended by striking “and” at the end of clause (ii),
3 by redesignating clause (iii) as clause (iv), and by in-
4 serting after clause (ii) the following new clause:

5 “(iii) if the application of clause (ii)
6 does not result in an increase in the basis
7 of any offsetting position in the identified
8 straddle, the basis of each of the offsetting
9 positions in the identified straddle shall be
10 increased in a manner which—

11 “(I) is reasonable, consistent
12 with the purposes of this paragraph,
13 and consistently applied by the tax-
14 payer, and

15 “(II) results in an aggregate in-
16 crease in the basis of such offsetting
17 positions which is equal to the loss de-
18 scribed in clause (ii), and”.

19 (2)(A) Subparagraph (B) of section 1092(a)(2)
20 is amended by adding at the end the following flush
21 sentence:

22 “A straddle shall be treated as clearly identified
23 for purposes of clause (i) only if such identifica-
24 tion includes an identification of the positions

1 in the straddle which are offsetting with respect
2 other positions in the straddle.”.

3 (B) Subparagraph (A) of section 1092(a)(2) is
4 amended—

5 (i) by striking “identified positions” in
6 clause (i) and inserting “positions”,

7 (ii) by striking “identified position” in
8 clause (ii) and inserting “position”, and

9 (iii) by striking “identified offsetting posi-
10 tions” in clause (ii) and inserting “offsetting
11 positions”.

12 (C) Subparagraph (B) of section 1092(a)(3) is
13 amended by striking “identified offsetting position”
14 and inserting “offsetting position”.

15 (3) Paragraph (2) of section 1092(a) is amend-
16 ed by redesignating subparagraph (C) as subpara-
17 graph (D) and inserting after subparagraph (B) the
18 following new subparagraph:

19 “(C) APPLICATION TO LIABILITIES AND
20 OBLIGATIONS.—Except as otherwise provided
21 by the Secretary, rules similar to the rules of
22 clauses (ii) and (iii) of subparagraph (A) shall
23 apply for purposes of this paragraph with re-
24 spect to any position which is, or has been, a
25 liability or obligation.”.

1 (4) Subparagraph (D) of section 1092(a)(2), as
2 redesignated by paragraph (3), is amended by in-
3 serting “the rules for the application of this section
4 to a position which is or has been a liability or obli-
5 gation, methods of loss allocation which satisfy the
6 requirements of subparagraph (A)(iii),” before “and
7 the ordering rules”.

8 (e) EFFECTIVE DATE.—

9 (1) IN GENERAL.—Except as otherwise pro-
10 vided in this subsection, the amendments made by
11 this section shall take effect as if included in the
12 provisions of the American Jobs Creation Act of
13 2004 to which they relate.

14 (2) IDENTIFICATION REQUIREMENT OF AMEND-
15 MENT RELATED TO SECTION 888 OF THE AMERICAN
16 JOBS CREATION ACT OF 2004.—The amendment
17 made by subsection (d)(2)(A) shall apply to strad-
18 dles acquired after the date of the enactment of this
19 Act.

20 **SEC. 408. AMENDMENTS RELATED TO THE ECONOMIC**
21 **GROWTH AND TAX RELIEF RECONCILIATION**
22 **ACT OF 2001.**

23 (a) AMENDMENTS RELATED TO SECTION 617 OF
24 THE ACT.—

1 “(III) other establishment more
2 than one-half of the dwelling units in
3 which are used on a transient basis.”.

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

8 **SEC. 410. AMENDMENT RELATED TO THE INTERNAL REV-**
9 **ENUE SERVICE RESTRUCTURING AND RE-**
10 **FORM ACT OF 1998.**

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

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

20 **SEC. 411. CLERICAL CORRECTIONS.**

21 (a) IN GENERAL.—

22 (1) Paragraph (5) of section 21(e) is amended
23 by striking “section 152(e)(3)(A)” in the flush mat-
24 ter after subparagraph (B) and inserting “section
25 152(e)(4)(A)”.

1 (2) Paragraph (3) of section 25C(c) is amended
2 by striking “section 3280” and inserting “part
3 3280”.

4 (3) Paragraph (2) of section 26(b) is amended
5 by redesignating subparagraphs (S) and (T) as sub-
6 paragraphs (U) and (V), respectively, and by insert-
7 ing after subparagraph (R) the following new sub-
8 paragraphs:

9 “(S) sections 106(e)(3)(A)(ii),
10 223(b)(8)(B)(i)(II), and 408(d)(9)(D)(i)(II)
11 (relating to certain failures to maintain high de-
12 ductible health plan coverage),

13 “(T) section 170(o)(3)(B) (relating to re-
14 capture of certain deductions for fractional
15 gifts),”.

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

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

20 (B) in paragraph (2), by striking “with re-
21 spect to gasoline used during the taxable year
22 (A) otherwise than as a fuel in a highway vehi-
23 cle or (B) in vehicles while engaged in fur-
24 nishing certain public passenger land transpor-
25 tation service”, and

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

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

6 (A) by striking “paragraph (2) or (4) of”,
7 and

8 (B) by striking “(within the meaning of
9 section 152(e)(1))” and inserting “(as defined
10 in section 152(e)(4)(A))”.

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

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

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

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

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

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

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

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

7 (11) The last sentence of section 125(b)(2) is
8 amended by striking “last sentence” and inserting
9 “second sentence”.

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

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

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

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

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

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

4 (15)(A) Subparagraph (A) of section 170(o)(1)
5 and subparagraph (A) of section 2522(e)(1) are
6 each amended by striking “all interest in the prop-
7 erty is” and inserting “all interests in the property
8 are”.

9 (B) Section 170(o)(3)(A)(i), and section
10 2522(e)(2)(A)(i) (as redesignated by section
11 403(d)(2)), are each amended—

12 (i) by striking “interest” and inserting “in-
13 terests”, and

14 (ii) by striking “before” and inserting “on
15 or before”.

16 (16)(A) Subparagraph (C) of section 852(b)(4)
17 is amended to read as follows:

18 “(C) DETERMINATION OF HOLDING PERI-
19 ODS.—For purposes of this paragraph, in deter-
20 mining the period for which the taxpayer has
21 held any share of stock—

22 “(i) the rules of paragraphs (3) and
23 (4) of section 246(c) shall apply, and

24 “(ii) there shall not be taken into ac-
25 count any day which is more than 6

1 months after the date on which such share
2 becomes ex-dividend.”.

3 (B) Subparagraph (B) of section 857(b)(8) is
4 amended to read as follows:

5 “(B) DETERMINATION OF HOLDING PERI-
6 ODS.—For purposes of this paragraph, in deter-
7 mining the period for which the taxpayer has
8 held any share of stock or beneficial interest—

9 “(i) the rules of paragraphs (3) and
10 (4) of section 246(c) shall apply, and

11 “(ii) there shall not be taken into ac-
12 count any day which is more than 6
13 months after the date on which such share
14 or interest becomes ex-dividend.”.

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

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

22 “(F) INCOME FROM NOTIONAL PRINCIPAL
23 CONTRACTS.—

24 “(i) IN GENERAL.—Net income from
25 notional principal contracts.

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1 “(ii) COORDINATION WITH OTHER
2 CATEGORIES OF FOREIGN PERSONAL
3 HOLDING COMPANY INCOME.—Any item of
4 income, gain, deduction, or loss from a no-
5 tional principal contract entered into for
6 purposes of hedging any item described in
7 any preceding subparagraph shall not be
8 taken into account for purposes of this
9 subparagraph but shall be taken into ac-
10 count under such other subparagraph.”.

11 (19) Paragraph (1) of section 954(c) is amend-
12 ed by redesignating subparagraph (I) as subpara-
13 graph (H).

14 (20) Paragraph (33) of section 1016(a), as re-
15 designated by section 407(a)(1)(C), is amended by
16 striking “section 25C(e)” and inserting “section
17 25C(f)”.

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

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

1 (23)(A) Section 1297 is amended by striking
2 subsection (d) and by redesignating subsections (e)
3 and (f) as subsections (d) and (e), respectively.

4 (B) Subparagraph (G) of section 1260(c)(2) is
5 amended by striking “subsection (e)” and inserting
6 “subsection (d)”.

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

10 (24) Paragraph (1) of section 1362(f) is
11 amended—

12 (A) by striking “, section
13 1361(b)(3)(B)(ii), or section 1361(c)(1)(A)(ii)”
14 and inserting “or section 1361(b)(3)(B)(ii)”,
15 and

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

19 (25) Paragraph (2) of section 1400O is amend-
20 ed by striking “under of” and inserting “under”.

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

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

24 (27) Subsection (b) of section 4082 is amended
25 to read as follows:

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

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

6 “(2) any use in a train, and

7 “(3) any use described in section
8 4041(a)(1)(C)(iii)(II).

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

12 (28) Paragraph (4) of section 4101(a) (relating
13 to registration in event of change of ownership) is
14 redesignated as paragraph (5).

15 (29) Paragraph (6) of section 4965(e) is
16 amended by striking “section 4457(e)(1)(A)” and
17 inserting “section 457(e)(1)(A)”.

18 (30) Subpart C of part II of subchapter A of
19 chapter 51 is amended by redesignating section
20 5432 (relating to recordkeeping by wholesale deal-
21 ers) as section 5121.

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

1 (32) Subsection (b) of section 6046 is amend-
2 ed—

3 (A) by striking “subsection (a)(1)” and in-
4 serting “subsection (a)(1)(A)”, and

5 (B) by striking “paragraph (2) or (3) of
6 subsection (a)” and inserting “subparagraph
7 (B) or (C) of subsection (a)(1)”.

8 (33)(A) Subparagraph (A) of section
9 6103(b)(5) is amended by striking “the Canal
10 Zone,”.

11 (B) Section 7651 is amended by striking para-
12 graph (4) and by redesignating paragraph (5) as
13 paragraph (4).

14 (34) Subparagraph (A) of section 6211(b)(4) is
15 amended by striking “and 34” and inserting “34,
16 and 35”.

17 (35) Subparagraphs (A) and (B) of section
18 6230(a)(3) are each amended by striking “section
19 6013(e)” and inserting “section 6015”.

20 (36) Paragraph (3) of section 6427(e) (relating
21 to termination), as added by section 11113 of the
22 SAFETEA-LU, is redesignated as paragraph (5)
23 and moved after paragraph (4).

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

4 (38)(A) Section 6427, as amended by section
5 1343(b)(1) of the Energy Policy Act of 2005, is
6 amended by striking subsection (p) (relating to gas-
7 ohol used in noncommercial aviation) and redesignig-
8 nating subsection (q) as subsection (p).

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

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

16 “then such person”.

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

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

23 (B) Paragraph (1) of section 9004(a) is amend-
24 ed by striking “section 320(b)(1)(B)” and inserting
25 “section 315(b)(1)(B)”.

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

4 (D) Subsection (b) of section 9034 is amended
5 by striking “section 320(b)(1)(A)” and inserting
6 “section 315(b)(1)(A)”.

7 (42) Section 9006 is amended by striking
8 “Comptroller General” each place it appears and in-
9 serting “Commission”.

10 (43) Subsection (c) of section 9503 is amended
11 by redesignating paragraph (7) (relating to transfers
12 from the trust fund for certain aviation fuels taxes)
13 as paragraph (6).

14 (44) Paragraph (1) of section 1301(g) of the
15 Energy Policy Act of 2005 is amended by striking
16 “shall take effect of the date of the enactment” and
17 inserting “shall take effect on the date of the enact-
18 ment”.

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

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

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

4 (2) AMENDMENTS RELATED TO SECTION 419 OF
5 DIVISION A OF THE ACT.—

6 (A) Clause (iv) of section 6724(d)(1)(B) is
7 amended by inserting “or (h)(1)” after “section
8 6050H(a)”.

9 (B) Subparagraph (K) of section
10 6724(d)(2) is amended by inserting “or (h)(2)”
11 after “section 6050H(d)”.

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

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

18 (1) AMENDMENTS RELATED TO SECTION 402 OF
19 THE ACT.—Subparagraph (B) of section 24(d)(1) is
20 amended—

21 (A) by striking “the excess (if any) of” in
22 the matter preceding clause (i) and inserting
23 “the greater of”, and

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

1 (2) EFFECTIVE DATE.—The amendments made
2 by this subsection shall take effect as if included in
3 the provisions of the Gulf Opportunity Zone Act of
4 2005 to which they relate.

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

8 (1) AMENDMENTS RELATED TO SECTION 11163
9 OF THE ACT.—Subparagraph (C) of section
10 6416(a)(4) is amended—

11 (A) by striking “ultimate vendor” and all
12 that follows through “has certified” and insert-
13 ing “ultimate vendor or credit card issuer has
14 certified”, and

15 (B) by striking “all ultimate purchasers of
16 the vendor” and all that follows through “are
17 certified” and inserting “all ultimate purchasers
18 of the vendor or credit card issuer are cer-
19 tified”.

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

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

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

7 (2) AMENDMENTS RELATED TO SECTION 1351
8 OF THE ACT.—Subparagraphs (A)(ii) and (B)(ii) of
9 section 41(f)(1) are each amended by striking
10 “qualified research expenses and basic research pay-
11 ments” and inserting “qualified research expenses,
12 basic research payments, and amounts paid or in-
13 curred to energy research consortiums,”.

14 (3) EFFECTIVE DATE.—The amendments made
15 by this subsection shall take effect as if included in
16 the provisions of the Energy Policy Act of 2005 to
17 which they relate.

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

20 (1) AMENDMENT RELATED TO SECTION 301 OF
21 THE ACT.—Section 9502 is amended by striking
22 subsection (e) and redesignating subsection (f) as
23 subsection (e).

24 (2) AMENDMENT RELATED TO SECTION 413 OF
25 THE ACT.—Subsection (b) of section 1298 is amend-

1 ed by striking paragraph (7) and by redesignating
2 paragraphs (8) and (9) as paragraphs (7) and (8),
3 respectively.

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

8 (4) EFFECTIVE DATE.—The amendments made
9 by this subsection shall take effect as if included in
10 the provisions of the American Jobs Creation Act of
11 2004 to which they relate.

12 (g) CLERICAL AMENDMENTS RELATED TO THE FSC
13 REPEAL AND EXTRATERRITORIAL INCOME EXCLUSION
14 ACT OF 2000.—

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

19 (2) Clause (iv) of section 54(g)(4)(C) is amend-
20 ed by striking “a cooperative described in section
21 927(a)(4)” and inserting “an organization to which
22 part I of subchapter T (relating to tax treatment of
23 cooperatives) applies which is engaged in the mar-
24 keting of agricultural or horticultural products”.

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

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

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

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

13 (5) Paragraph (4) of section 275(a) is amended
14 by striking “if” and all that follows and inserting “if
15 the taxpayer chooses to take to any extent the bene-
16 fits of section 901.”.

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

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

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

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

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

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

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

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

11 (10) Clause (v) of section 904(d)(2)(B) is
12 amended—

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

16 (B) by striking “a FSC (or a former
17 FSC)” in subclause (II) (as so redesignated)
18 and inserting “a former FSC (as defined in sec-
19 tion 922)”, and

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

21 “Any reference in subclause (II) to section
22 922, 923, or 927 shall be treated as a ref-
23 erence to such section as in effect before
24 its repeal by the FSC Repeal and

1 Extraterritorial Income Exclusion Act of
2 2000.”.

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

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

9 (13) Section 951 is amended by striking sub-
10 section (e) and by redesignating subsection (d) as
11 subsection (e).

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

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

16 (i) by striking subparagraph (I) and by re-
17 designating subparagraphs (J) through (M) as
18 subparagraphs (I) through (L), respectively,
19 and

20 (ii) by striking “subparagraphs (J), (K),
21 and (L)” in the flush sentence at the end and
22 inserting “subparagraphs (I), (J), and (K)”.

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

1 (16) Paragraph (1) of section 992(a) is amend-
2 ed by striking subparagraph (E), by inserting “and”
3 at the end of subparagraph (C), and by striking “,
4 and” at the end of subparagraph (D) and inserting
5 a period.

6 (17) Paragraph (5) of section 1248(d) is
7 amended—

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

10 (B) by adding at the end the following new
11 sentence: “Any reference in this paragraph to
12 section 922, 923, or 927 shall be treated as a
13 reference to such section as in effect before its
14 repeal by the FSC Repeal and Extraterritorial
15 Income Exclusion Act of 2000.”.

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

19 (19)(A) Paragraph (1) of section 6011(c) is
20 amended by striking “or former DISC or a FSC or
21 former FSC” and inserting “, former DISC, or
22 former FSC (as defined in section 922 as in effect
23 before its repeal by the FSC Repeal and
24 Extraterritorial Income Exclusion Act of 2000)”.

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

3 (20) Subsection (c) of section 6072 is amended
4 by striking “a FSC or former FSC” and inserting
5 “a former FSC (as defined in section 922 as in ef-
6 fect before its repeal by the FSC Repeal and
7 Extraterritorial Income Exclusion Act of 2000)”.

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

10 **TITLE V—PARITY IN APPLICA-**
11 **TION OF CERTAIN LIMITS TO**
12 **MENTAL HEALTH BENEFITS**

13 **SEC. 501. PARITY IN APPLICATION OF CERTAIN LIMITS TO**
14 **MENTAL HEALTH BENEFITS.**

15 (a) AMENDMENT TO THE INTERNAL REVENUE CODE
16 OF 1986.—Section 9812(f)(3) of the Internal Revenue
17 Code of 1986 is amended by striking “2007” and inserting
18 “2008”.

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

24 (c) AMENDMENT TO THE PUBLIC HEALTH SERVICE
25 ACT.—Section 2705(f) of the Public Health Service Act

1 (42 U.S.C. 300gg-5(f)) is amended by striking “2007”
2 and inserting “2008”.

3 (d) **EFFECTIVE DATE.**—The amendments made by
4 this section shall apply to benefits for services furnished
5 after December 31, 2007.