

109TH CONGRESS
1ST SESSION

H. R. 4155

To amend the Internal Revenue Code of 1986 to provide tax benefits for the Gulf Opportunity Zone and certain areas affected by Hurricane Rita, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 27, 2005

Mr. MCCRERY (for himself, Mr. JEFFERSON, Mr. BRADY of Texas, Mr. LEWIS of Georgia, Mr. LEWIS of Kentucky, Mr. BAKER, Mr. ALEXANDER, Mr. JINDAL, Mr. MELANCON, and Mr. PICKERING) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to provide tax benefits for the Gulf Opportunity Zone and certain areas affected by Hurricane Rita, and for other purposes.

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

3 **SECTION 1. SHORT TITLE; ETC.**

4 (a) **SHORT TITLE.**—This Act may be cited as the
5 “Gulf Opportunity Zone Act of 2005”.

6 (b) **AMENDMENT OF 1986 CODE.**—Except as other-
7 wise expressly provided, whenever in this Act an amend-
8 ment or repeal is expressed in terms of an amendment

1 to, or repeal of, a section or other provision, the reference
 2 shall be considered to be made to a section or other provi-
 3 sion of the Internal Revenue Code of 1986.

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

Sec. 1. Short title; etc.

TITLE I—ESTABLISHMENT OF GULF OPPORTUNITY ZONE

Sec. 101. Tax benefits for Gulf Opportunity Zone.

Sec. 102. Federal guarantee of certain State bonds.

TITLE II—TAX BENEFITS RELATED TO HURRICANE RITA

Sec. 201. Extension of certain emergency tax relief for Hurricane Katrina to
 Hurricane Rita.

TITLE III—OTHER PROVISIONS

Sec. 301. Secretarial authority to extend period during which traveling expenses
 are treated as incurred away from home in case of major dis-
 aster.

Sec. 302. Gulf Coast Recovery Bonds.

6 **TITLE I—ESTABLISHMENT OF**
 7 **GULF OPPORTUNITY ZONE**

8 **SEC. 101. TAX BENEFITS FOR GULF OPPORTUNITY ZONE.**

9 (a) IN GENERAL.—Subchapter Y of chapter 1 is
 10 amended by adding at the end the following new part:

11 **“PART II—TAX BENEFITS FOR GULF**
 12 **OPPORTUNITY ZONE**

“Sec. 1400M. Definitions.

“Sec. 1400N. Tax benefits for Gulf Opportunity Zone.

13 **“SEC. 1400M. DEFINITIONS.**

14 “For purposes of this part—

15 “(1) GULF OPPORTUNITY ZONE.—The terms

16 ‘Gulf Opportunity Zone’ and ‘GO Zone’ mean that

1 portion of the Hurricane Katrina disaster area de-
2 termined by the President to warrant individual or
3 individual and public assistance from the Federal
4 Government under the Robert T. Stafford Disaster
5 Relief and Emergency Assistance Act by reason of
6 Hurricane Katrina.

7 “(2) HURRICANE KATRINA DISASTER AREA.—
8 The term ‘Hurricane Katrina disaster area’ means
9 an area with respect to which a major disaster has
10 been declared by the President before September 14,
11 2005, under section 401 of such Act by reason of
12 Hurricane Katrina.

13 “(3) RITA GO ZONE.—The term ‘Rita GO Zone’
14 means that portion of the Hurricane Rita disaster
15 area determined by the President to warrant indi-
16 vidual or individual and public assistance from the
17 Federal Government under such Act by reason of
18 Hurricane Rita.

19 “(4) HURRICANE RITA DISASTER AREA.—The
20 term ‘Hurricane Rita disaster area’ means an area
21 with respect to which a major disaster has been de-
22 clared by the President, before October 6, 2005,
23 under section 401 of such Act by reason of Hurri-
24 cane Rita.

1 **“SEC. 1400N. TAX BENEFITS FOR GULF OPPORTUNITY**
2 **ZONE.**

3 “(a) TAX-EXEMPT BOND FINANCING.—

4 “(1) IN GENERAL.—For purposes of this title—

5 “(A) any qualified Gulf Opportunity Zone
6 Bond described in paragraph (2)(A)(i) shall be
7 treated as an exempt facility bond, and

8 “(B) any qualified Gulf Opportunity Zone
9 Bond described in paragraph (2)(A)(ii) shall be
10 treated as a qualified mortgage bond.

11 “(2) QUALIFIED GULF OPPORTUNITY ZONE
12 BOND.—For purposes of this subsection, the term
13 ‘qualified Gulf Opportunity Zone Bond’ means any
14 bond issued as part of an issue if—

15 “(A)(i) 95 percent or more of the net pro-
16 ceeds (as defined in section 150(a)(3)) of such
17 issue are to be used for qualified project costs,
18 or

19 “(ii) such issue meets the requirements of
20 a qualified mortgage issue, except as otherwise
21 provided in this subsection,

22 “(B) such bond is issued by the State of
23 Alabama, Louisiana, or Mississippi, or any po-
24 litical subdivision thereof,

25 “(C) the Governor of such State designates
26 such bond for purposes of this section, and

1 “(D) such bond is issued after the date of
2 the enactment of this section and before Janu-
3 ary 1, 2011.

4 “(3) LIMITATIONS ON AMOUNT OF BONDS.—

5 “(A) AGGREGATE AMOUNT DESIGNATED.—

6 The maximum aggregate face amount of bonds
7 which may be designated under this subsection
8 with respect to any State shall not exceed the
9 product of \$2,500 multiplied by the portion of
10 the State population which is in the Gulf Op-
11 portunity Zone (as determined on the basis of
12 the most recent census estimate of resident
13 population released by the Bureau of Census
14 before August 28, 2005).

15 “(B) MOVABLE PROPERTY.—No bonds
16 shall be issued which are to be used for movable
17 fixtures and equipment.

18 “(4) QUALIFIED PROJECT COSTS.—For pur-
19 poses of this subsection, the term ‘qualified project
20 costs’ means the cost of acquisition, construction, re-
21 construction, and renovation of—

22 “(A) nonresidential real property and
23 qualified residential rental property (as defined
24 in section 142(d)) located in the Gulf Oppor-
25 tunity Zone, and

1 “(B) public utility property (as defined in
2 section 168(i)(10)) located in the Gulf Oppor-
3 tunity Zone.

4 “(5) SPECIAL RULES.—In applying this title to
5 any qualified Gulf Opportunity Zone Bond, the fol-
6 lowing modifications shall apply:

7 “(A) Section 142(d)(1) (defining qualified
8 residential rental project) shall be applied—

9 “(i) by substituting ‘60 percent’ for
10 ‘50 percent’ in subparagraph (A) thereof,
11 and

12 “(ii) by substituting ‘70 percent’ for
13 ‘60 percent’ in subparagraph (B) thereof.

14 “(B) Section 143 (relating to mortgage
15 revenue bonds: qualified mortgage bond and
16 qualified veterans’ mortgage bond) shall be ap-
17 plied—

18 “(i) by treating only residences in the
19 Gulf Opportunity Zone as owner-occupied
20 residences,

21 “(ii) by treating any residence in the
22 Gulf Opportunity Zone as a targeted area
23 residence, and

24 “(iii) by substituting ‘\$150,000’ for
25 ‘\$15,000’ in subsection (k)(4) thereof.

1 “(C) Except as provided in section 143, re-
2 payments of principal on financing provided by
3 the issue of which such bond is a part may not
4 be used to provide financing.

5 “(D) Section 146 (relating to volume cap)
6 shall not apply.

7 “(E) Section 147(d)(2) (relating to acqui-
8 sition of existing property not permitted) shall
9 be applied by substituting ‘50 percent’ for ‘15
10 percent’ each place it appears.

11 “(F) Section 148(f)(4)(C) (relating to ex-
12 ception from rebate for certain proceeds to be
13 used to finance construction expenditures) shall
14 apply to the available construction proceeds of
15 bonds which are part of an issue described in
16 paragraph (2)(A)(i).

17 “(G) Section 57(a)(5) (relating to tax-ex-
18 empt interest) shall not apply.

19 “(6) SEPARATE ISSUE TREATMENT OF POR-
20 TIONS OF AN ISSUE.—This subsection shall not
21 apply to the portion of an issue which (if issued as
22 a separate issue) would be treated as a qualified
23 bond or as a bond that is not a private activity bond
24 (determined without regard to paragraph (1)), if the
25 issuer elects to so treat such portion.

1 “(b) ADVANCE REFUNDINGS OF CERTAIN TAX-EX-
2 EMPT BONDS.—

3 “(1) IN GENERAL.—With respect to a bond de-
4 scribed in paragraph (3) which is not a qualified
5 501(c)(3) bond, one additional advance refunding
6 after the date of the enactment of this section and
7 before January 1, 2011, shall be allowed under the
8 applicable rules of section 149(d) if—

9 “(A) the Governor of the State designates
10 the advance refunding bond for purposes of this
11 subsection, and

12 “(B) the requirements of paragraph (5)
13 are met.

14 “(2) CERTAIN PRIVATE ACTIVITY BONDS.—
15 With respect to a bond described in paragraph (3)
16 which is an exempt facility bond described in para-
17 graph (1) or (2) of section 142(a), one advance re-
18 funding after the date of the enactment of this sec-
19 tion and before January 1, 2011, shall be allowed
20 under the applicable rules of section 149(d) (not-
21 withstanding paragraph (2) thereof) if the require-
22 ments of subparagraphs (A) and (B) of paragraph
23 (1) are met.

24 “(3) BONDS DESCRIBED.—A bond is described
25 in this paragraph if such bond was outstanding on

1 August 28, 2005, and is issued by the State of Ala-
2 bama, Louisiana, or Mississippi, or a political sub-
3 division thereof.

4 “(4) AGGREGATE LIMIT.—The maximum aggre-
5 gate face amount of bonds which may be designated
6 under this subsection by the Governor of a State
7 shall not exceed—

8 “(A) \$4,500,000,000 in the case of the
9 State of Louisiana,

10 “(B) \$2,250,000,000 in the case of the
11 State of Mississippi, and

12 “(C) \$1,125,000,000 in the case of the
13 State of Alabama.

14 “(5) ADDITIONAL REQUIREMENTS.—The re-
15 quirements of this paragraph are met with respect
16 to any advance refunding of a bond described in
17 paragraph (3) if—

18 “(A) no advance refundings of such bond
19 would be allowed under this title on or after
20 August 28, 2005,

21 “(B) the advance refunding bond is the
22 only other outstanding bond with respect to the
23 refunded bond, and

1 “(C) the requirements of section 148 are
2 met with respect to all bonds issued under this
3 subsection.

4 “(c) LOW-INCOME HOUSING CREDIT.—

5 “(1) ADDITIONAL HOUSING CREDIT DOLLAR
6 AMOUNT.—

7 “(A) IN GENERAL.—For purposes of sec-
8 tion 42, in the case of calendar years 2006,
9 2007, and 2008, the State housing credit ceil-
10 ing of each State, any portion of which is lo-
11 cated in the Gulf Opportunity Zone, shall be in-
12 creased by the lesser of—

13 “(i) the aggregate housing credit dol-
14 lar amount allocated by the State housing
15 credit agency of such State to buildings lo-
16 cated in the Gulf Opportunity Zone for
17 such calendar year, or

18 “(ii) the Gulf Opportunity housing
19 amount for such State for such calendar
20 year.

21 “(B) GULF OPPORTUNITY HOUSING
22 AMOUNT.—For purposes of subparagraph (A),
23 the term ‘Gulf Opportunity housing amount’
24 means, for any calendar year, the amount equal
25 to the product of \$18.00 multiplied by the por-

1 tion of the State population which is in the Gulf
2 Opportunity Zone (as determined on the basis
3 of the most recent census estimate of resident
4 population released by the Bureau of Census
5 before August 28, 2005).

6 “(C) ALLOCATIONS TREATED AS MADE
7 FIRST FROM ADDITIONAL ALLOCATION AMOUNT
8 FOR PURPOSES OF DETERMINING CARRY-
9 OVER.—For purposes of determining the un-
10 used State housing credit ceiling under section
11 42(h)(3)(C) for any calendar year, any increase
12 in the State housing credit ceiling under sub-
13 paragraph (A) shall be treated as an amount
14 described in clause (ii) of such section.

15 “(2) DIFFICULT DEVELOPMENT AREA.—

16 “(A) IN GENERAL.—For purposes of sec-
17 tion 42, in the case of property placed in service
18 during 2006, 2007, or 2008, the Gulf Oppor-
19 tunity Zone—

20 “(i) shall be treated as a difficult de-
21 velopment area designated under subclause
22 (I) of section 42(d)(5)(C)(iii), and

23 “(ii) shall not be taken into account
24 for purposes of applying the limitation
25 under subclause (II) of such section.

1 “(B) APPLICATION.—Subparagraph (A)
2 shall apply only to—

3 “(i) housing credit dollar amounts al-
4 located during the period beginning on
5 January 1, 2006, and ending on December
6 31, 2008, and

7 “(ii) buildings placed in service during
8 such period to the extent that paragraph
9 (1) of section 42(h) does not apply to any
10 building by reason of paragraph (4) there-
11 of, but only with respect to bonds issued
12 after December 31, 2005.

13 “(3) SPECIAL RULE FOR APPLYING INCOME
14 TESTS.—In the case of property placed in service—

15 “(A) during 2006, 2007, or 2008,

16 “(B) in the Gulf Opportunity Zone, and

17 “(C) in a nonmetropolitan area (as defined
18 in section 42(d)(5)(C)(iv)(IV)),

19 section 42 shall be applied by substituting ‘national
20 nonmetropolitan median gross income (determined
21 under rules similar to the rules of section
22 142(d)(2)(B))’ for ‘area median gross income’ in
23 subparagraphs (A) and (B) of section 42(g)(1).

1 “(4) DEFINITIONS.—Any term used in this sub-
2 section which is also used in section 42 shall have
3 the same meaning as when used in such section.

4 “(d) SPECIAL ALLOWANCE FOR CERTAIN PROPERTY
5 ACQUIRED ON OR AFTER AUGUST 28, 2005.—

6 “(1) ADDITIONAL ALLOWANCE.—In the case of
7 any qualified Gulf Opportunity Zone property—

8 “(A) the depreciation deduction provided
9 by section 167(a) for the taxable year in which
10 such property is placed in service shall include
11 an allowance equal to 50 percent of the ad-
12 justed basis of such property, and

13 “(B) the adjusted basis of the qualified
14 Gulf Opportunity Zone property shall be re-
15 duced by the amount of such deduction before
16 computing the amount otherwise allowable as a
17 depreciation deduction under this chapter for
18 such taxable year and any subsequent taxable
19 year.

20 “(2) QUALIFIED GULF OPPORTUNITY ZONE
21 PROPERTY.— For purposes of this subsection—

22 “(A) IN GENERAL.—The term ‘qualified
23 Gulf Opportunity Zone property’ means prop-
24 erty—

1 “(i)(I) which is described in section
2 168(k)(2)(A)(i), or

3 “(II) which is nonresidential real
4 property or residential rental property,

5 “(ii) substantially all of the use of
6 which is in the Gulf Opportunity Zone and
7 is in the active conduct of a trade or busi-
8 ness by the taxpayer in such Zone,

9 “(iii) the original use of which in the
10 Gulf Opportunity Zone commences with
11 the taxpayer on or after August 28, 2005,

12 “(iv) which is acquired by the tax-
13 payer by purchase (as defined in section
14 179(d)) on or after August 28, 2005, but
15 only if no written binding contract for the
16 acquisition was in effect before August 28,
17 2005, and

18 “(v) which is placed in service by the
19 taxpayer on or before December 31, 2007
20 (December 31, 2008, in the case of non-
21 residential real property and residential
22 rental property).

23 “(B) EXCEPTIONS.—

24 “(i) ALTERNATIVE DEPRECIATION
25 PROPERTY.—Such term shall not include

1 any property described in section
2 168(k)(2)(D)(i).

3 “(ii) TAX-EXEMPT BOND-FINANCED
4 PROPERTY.—Such term shall not include
5 any property any portion of which is fi-
6 nanced with the proceeds of any obligation
7 the interest on which is exempt from tax
8 under section 103.

9 “(iii) QUALIFIED REVITALIZATION
10 BUILDINGS.—Such term shall not include
11 any qualified revitalization building with
12 respect to which the taxpayer has elected
13 the application of paragraph (1) or (2) of
14 section 1400I(a).

15 “(iv) ELECTION OUT.—If a taxpayer
16 makes an election under this clause with
17 respect to any class of property for any
18 taxable year, this subsection shall not
19 apply to all property in such class placed
20 in service during such taxable year.

21 “(3) SPECIAL RULES.—For purposes of this
22 subsection, rules similar to the rules of subpara-
23 graph (E) of section 168(k)(2) shall apply, except
24 that such subparagraph shall be applied—

1 “(A) by substituting ‘August 27, 2005’ for
2 ‘September 10, 2001’ each place it appears
3 therein,

4 “(B) by substituting ‘January 1, 2008’ for
5 ‘January 1, 2005’ in clause (i) thereof, and

6 “(C) by substituting ‘qualified Gulf Oppor-
7 tunity Zone property’ for ‘qualified property’ in
8 clause (iv) thereof.

9 “(4) ALLOWANCE AGAINST ALTERNATIVE MIN-
10 IMUM TAX.—For purposes of this subsection, rules
11 similar to the rules of section 168(k)(2)(G) shall
12 apply.

13 “(5) RECAPTURE.—For purposes of this sub-
14 section, rules similar to the rules under section
15 179(d)(10) shall apply with respect to any qualified
16 Gulf Opportunity Zone property which ceases to be
17 qualified Gulf Opportunity Zone property.

18 “(e) INCREASE IN EXPENSING UNDER SECTION
19 179.—

20 “(1) IN GENERAL.—For purposes of section
21 179—

22 “(A) the dollar amount in effect under sec-
23 tion 179(b)(1) for the taxable year shall be in-
24 creased by the lesser of—

25 “(i) \$100,000, or

1 “(ii) the cost of qualified section 179
2 Gulf Opportunity Zone property placed in
3 service during the taxable year, and

4 “(B) the the dollar amount in effect under
5 section 179(b)(2) for the taxable year shall be
6 increased by the lesser of—

7 “(i) \$600,000, or

8 “(ii) the cost of qualified section 179
9 Gulf Opportunity Zone property placed in
10 service during the taxable year.

11 “(2) QUALIFIED SECTION 179 GULF OPPOR-
12 TUNITY ZONE PROPERTY.—For purposes of this sub-
13 section, the term ‘qualified section 179 Gulf Oppor-
14 tunity Zone property’ means section 179 property
15 (as defined in section 179(d)) which is qualified Gulf
16 Opportunity Zone property (as defined in subsection
17 (d)(2)).

18 “(3) COORDINATION WITH EMPOWERMENT
19 ZONES AND RENEWAL COMMUNITIES.—For purposes
20 of sections 1397A and 1400J, qualified section 179
21 Gulf Opportunity Zone property shall not be treated
22 as qualified zone property or qualified renewal prop-
23 erty, unless the taxpayer elects not to take such
24 qualified section 179 Gulf Opportunity Zone prop-
25 erty into account for purposes of this subsection.

1 “(4) RECAPTURE.—For purposes of this sub-
2 section, rules similar to the rules under section
3 179(d)(10) shall apply with respect to any qualified
4 section 179 Gulf Opportunity Zone property which
5 ceases to be qualified section 179 Gulf Opportunity
6 Zone property.

7 “(f) EXPENSING FOR CERTAIN DEMOLITION AND
8 CLEAN-UP COSTS.—

9 “(1) IN GENERAL.—A taxpayer may elect to
10 treat 50 percent of any qualified Gulf Opportunity
11 Zone clean-up cost as an expense which is not
12 chargeable to capital account. Any cost so treated
13 shall be allowed as a deduction for the taxable year
14 in which such cost is paid or incurred.

15 “(2) QUALIFIED GULF OPPORTUNITY ZONE
16 CLEAN-UP COST.—For purposes of this subsection,
17 the term ‘qualified Gulf Opportunity Zone clean-up
18 cost’ means any amount paid or incurred during the
19 period beginning on August 28, 2005, and ending on
20 December 31, 2007, for the removal of debris from,
21 or the demolition of structures on, real property
22 which is located in the Gulf Opportunity Zone and
23 which is—

1 “(A) held by the taxpayer for use in a
2 trade or business or for the production of in-
3 come, or

4 “(B) property described in section
5 1221(a)(1) in the hands of the taxpayer.

6 For purposes of the preceding sentence, amounts
7 paid or incurred shall be taken into account only to
8 the extent that such amount would (but for para-
9 graph (1)) be chargeable to capital account.

10 “(g) EXTENSION OF EXPENSING FOR ENVIRON-
11 MENTAL REMEDIATION COSTS.—With respect to any
12 qualified environmental remediation expenditure (as de-
13 fined in section 198(b)) paid or incurred on or after Au-
14 gust 28, 2005, in connection with a qualified contaminated
15 site located in the Gulf Opportunity Zone, section 198 (re-
16 lating to expensing of environmental remediation costs)
17 shall be applied—

18 “(1) by substituting ‘December 31, 2007’ for
19 ‘December 31, 2005’, and

20 “(2) except as provided in section 198(d)(2), by
21 treating petroleum products (as defined in section
22 4612(a)(3)) as a hazardous substance.

23 “(h) INCREASE IN REHABILITATION CREDIT.—In the
24 case of qualified rehabilitation expenditures (as defined in
25 section 47(c)) paid or incurred during the period begin-

1 ning on August 28, 2005, and ending on December 31,
2 2008, with respect to any qualified rehabilitated building
3 or certified historic structure (as defined in section 47(c))
4 located in the Gulf Opportunity Zone, subsection (a) of
5 section 47 (relating to rehabilitation credit) shall be ap-
6 plied—

7 “(1) by substituting ‘13 percent’ for ‘10 per-
8 cent’ in paragraph (1) thereof, and

9 “(2) by substituting ‘26 percent’ for ‘20 per-
10 cent’ in paragraph (2) thereof.

11 “(i) SPECIAL RULES FOR SMALL TIMBER PRO-
12 DUCERS.—

13 “(1) INCREASED EXPENSING FOR QUALIFIED
14 TIMBER PROPERTY.—In the case of qualified timber
15 property any portion of which is located in the Gulf
16 Opportunity Zone or in that portion of the Rita GO
17 Zone which is not part of the Gulf Opportunity
18 Zone, the limitation under subparagraph (B) of sec-
19 tion 194(b)(1) shall be increased by the lesser of—

20 “(A) the limitation which would (but for
21 this subsection) apply under such subpara-
22 graph, or

23 “(B) the amount of reforestation expendi-
24 tures (as defined in section 194(c)(3)) paid or
25 incurred by the taxpayer with respect to such

1 qualified timber property during the specified
2 portion of the taxable year.

3 “(2) 5 YEAR NOL CARRYBACK OF CERTAIN TIM-
4 BER LOSSES.—For purposes of determining farming
5 loss under section 172(i), income and deductions
6 which are allocable to the specified portion of the
7 taxable year and which are attributable to qualified
8 timber property any portion of which is located in
9 the Gulf Opportunity Zone or in that portion of the
10 Rita GO Zone which is not part of the Gulf Oppor-
11 tunity Zone shall be treated as attributable to farm-
12 ing businesses.

13 “(3) RULES NOT APPLICABLE TO LARGE TIM-
14 BER PRODUCERS.—

15 “(A) EXPENSING.—Paragraph (1) shall
16 not apply to any taxpayer if such taxpayer
17 holds more than 500 acres of qualified timber
18 property at any time during the taxable year.

19 “(B) NOL CARRYBACK.—Paragraph (2)
20 shall not apply with respect to any qualified
21 timber property unless—

22 “(i) such property was held by the
23 taxpayer—

24 “(I) on August 28, 2005, in the
25 case of qualified timber property any

1 portion of which is located in the Gulf
2 Opportunity Zone, or

3 “(II) on September 23, 2005, in
4 the case of qualified timber property
5 (other than property described in sub-
6 clause (I)) any portion of which is lo-
7 cated in that portion of the Rita GO
8 Zone which is not part of the Gulf
9 Opportunity Zone, and

10 “(ii) such taxpayer held not more
11 than 500 acres of qualified timber property
12 on such date.

13 “(C) AGGREGATION RULE.—For purposes
14 of subparagraphs (A) and (B), related persons
15 shall be treated as one taxpayer. For purposes
16 of the preceding sentence, the following shall be
17 treated as related persons—

18 “(i) 2 or more persons if the relation-
19 ship between such persons would result in
20 a disallowance of losses under section 267
21 or 707(b), and

22 “(ii) 2 or more persons which are
23 members of the same controlled group
24 (within the meaning of section
25 194(b)(2)(A)) of corporations.

1 For purposes of clause (i), section 267 shall be
2 applied without regard to subsection (b)(1)
3 thereof.

4 “(4) DEFINITIONS.—For purposes of this sub-
5 section—

6 “(A) SPECIFIED PORTION.—The term
7 ‘specified portion’ means—

8 “(i) in the case of the Gulf Oppor-
9 tunity Zone, that portion of the taxable
10 year which is on or after August 28, 2005,
11 and before January 1, 2007, and

12 “(ii) in the case of that portion of the
13 Rita GO Zone which is not part of the
14 Gulf Opportunity Zone, that portion of the
15 taxable year which is on or after Sep-
16 tember 23, 2005, and before January 1,
17 2007.

18 “(B) QUALIFIED TIMBER PROPERTY.—The
19 term ‘qualified timber property’ has the mean-
20 ing given such term in section 194(c)(1).

21 “(j) SPECIAL RULE FOR GULF OPPORTUNITY ZONE
22 PUBLIC UTILITY CASUALTY LOSSES.—

23 “(1) IN GENERAL.—The amount described in
24 section 172(f)(1)(A) for any taxable year shall be in-

1 creased by the Gulf Opportunity Zone public utility
2 casualty loss for such taxable year.

3 “(2) GULF OPPORTUNITY ZONE PUBLIC UTIL-
4 ITY CASUALTY LOSS.—For purposes of this sub-
5 section, the term ‘Gulf Opportunity Zone public util-
6 ity casualty loss’ means any casualty loss of public
7 utility property (as defined in section 168(i)(10)) lo-
8 cated in the Gulf Opportunity Zone if—

9 “(A) such loss is allowed as a deduction
10 under section 165 for the taxable year,

11 “(B) such loss is by reason of Hurricane
12 Katrina, and

13 “(C) the taxpayer elects the application of
14 this subsection with respect to such loss.

15 “(3) REDUCTION FOR GAINS FROM INVOLUN-
16 TARY CONVERSION.—The amount of Gulf Oppor-
17 tunity Zone public utility casualty loss which would
18 (but for this paragraph) be taken into account under
19 paragraph (1) for any taxable year shall be reduced
20 by the amount of any gain recognized by the tax-
21 payer for such year from the involuntary conversion
22 by reason of Hurricane Katrina of public utility
23 property (as so defined) located in the Gulf Oppor-
24 tunity Zone.

1 “(4) COORDINATION WITH GENERAL DISASTER
2 LOSS RULES.—Section 165(i) shall not apply to any
3 Gulf Opportunity Zone public utility casualty loss to
4 the extent such loss is taken into account under
5 paragraph (1).

6 “(5) ELECTION.—Any election under paragraph
7 (2)(C) shall be made in such manner as may be pre-
8 scribed by the Secretary and shall be made by the
9 due date (including extensions of time) for filing the
10 taxpayer’s return for the taxable year of the loss.
11 Such election, once made for any taxable year, shall
12 be irrevocable for such taxable year.

13 “(k) SPECIAL NOL CARRYBACK OF COST RECOVERY
14 DEDUCTIONS FOR QUALIFIED GO ZONE PROPERTY.—

15 “(1) IN GENERAL.—For purposes of section
16 172, the GO Zone cost recovery loss for any taxable
17 year ending on or after August 28, 2005, and before
18 January 1, 2009, shall be a net operating loss
19 carryback to each of the 5 taxable years preceding
20 the taxable year of the loss.

21 “(2) GO ZONE COST RECOVERY LOSS.—For
22 purposes of this subsection, the term ‘GO Zone cost
23 recovery loss’ means, with respect to any taxable
24 year, the lesser of—

1 “(A) the aggregate amount of the deduc-
2 tions allowed under sections 167 and 168 with
3 respect to qualified Gulf Opportunity Zone
4 property (as defined in subsection (d)(2), but
5 without regard to subparagraph (B)(iv) thereof)
6 which is placed in service during such taxable
7 year, or

8 “(B) the excess of—

9 “(i) the net operating loss for such
10 taxable year, over

11 “(ii) the specified liability loss for
12 such taxable year to which a 10-year
13 carryback applies under section
14 172(b)(1)(C).

15 “(3) COORDINATION WITH ORDERING RULE.—

16 For purposes of applying section 172(b)(2), a GO
17 Zone cost recovery loss to which paragraph (1) ap-
18 plies shall be treated in a manner similar to the
19 manner in which a specified liability loss is treated.

20 “(4) ELECTION OUT.—A rule similar to the
21 rule of section 172(j) shall apply for purposes of this
22 subsection.

23 “(1) CREDIT TO HOLDERS OF GULF TAX CREDIT
24 BONDS.—

1 “(1) ALLOWANCE OF CREDIT.—If a taxpayer
2 holds a Gulf tax credit bond on one or more credit
3 allowance dates of the bond occurring during any
4 taxable year, there shall be allowed as a credit
5 against the tax imposed by this chapter for the tax-
6 able year an amount equal to the sum of the credits
7 determined under paragraph (2) with respect to
8 such dates.

9 “(2) AMOUNT OF CREDIT.—

10 “(A) IN GENERAL.—The amount of the
11 credit determined under this paragraph with re-
12 spect to any credit allowance date for a Gulf
13 tax credit bond is 25 percent of the annual
14 credit determined with respect to such bond.

15 “(B) ANNUAL CREDIT.—The annual credit
16 determined with respect to any Gulf tax credit
17 bond is the product of—

18 “(i) the credit rate determined by the
19 Secretary under subparagraph (C) for the
20 day on which such bond was sold, multi-
21 plied by

22 “(ii) the outstanding face amount of
23 the bond.

24 “(C) DETERMINATION.—For purposes of
25 subparagraph (B), with respect to any Gulf tax

1 credit bond, the Secretary shall determine daily
2 or cause to be determined daily a credit rate
3 which shall apply to the first day on which
4 there is a binding, written contract for the sale
5 or exchange of the bond. The credit rate for
6 any day is the credit rate which the Secretary
7 or the Secretary's designee estimates will per-
8 mit the issuance of Gulf tax credit bonds with
9 a specified maturity or redemption date without
10 discount and without interest cost to the issuer.

11 “(D) CREDIT ALLOWANCE DATE.—For
12 purposes of this subsection, the term ‘credit al-
13 lowance date’ means March 15, June 15, Sep-
14 tember 15, and December 15. Such term also
15 includes the last day on which the bond is out-
16 standing.

17 “(E) SPECIAL RULE FOR ISSUANCE AND
18 REDEMPTION.—In the case of a bond which is
19 issued during the 3-month period ending on a
20 credit allowance date, the amount of the credit
21 determined under this paragraph with respect
22 to such credit allowance date shall be a ratable
23 portion of the credit otherwise determined
24 based on the portion of the 3-month period dur-
25 ing which the bond is outstanding. A similar

1 rule shall apply when the bond is redeemed or
2 matures.

3 “(3) LIMITATION BASED ON AMOUNT OF
4 TAX.—The credit allowed under paragraph (1) for
5 any taxable year shall not exceed the excess of—

6 “(A) the sum of the regular tax liability
7 (as defined in section 26(b)) plus the tax im-
8 posed by section 55, over

9 “(B) the sum of the credits allowable
10 under part IV of subchapter A (other than sub-
11 part C and this subsection).

12 “(4) GULF TAX CREDIT BOND.—For purposes
13 of this subsection—

14 “(A) IN GENERAL.—The term ‘Gulf tax
15 credit bond’ means any bond issued as part of
16 an issue if—

17 “(i) the bond is issued by the State of
18 Alabama, Louisiana, or Mississippi,

19 “(ii) 95 percent or more of the pro-
20 ceeds of such issue are to be used to—

21 “(I) pay principal, interest, or
22 premiums on qualified bonds issued
23 by such State or any political subdivi-
24 sion of such State, or

1 “(II) make a loan to any political
2 subdivision of such State to pay prin-
3 cipal, interest, or premiums on quali-
4 fied bonds issued by such political
5 subdivision,

6 “(iii) the Governor of such State des-
7 ignates such bond for purposes of this sub-
8 section,

9 “(iv) the bond is a general obligation
10 of such State and is in registered form
11 (within the meaning of section 149(a)),

12 “(v) the maturity of such bond does
13 not exceed 2 years, and

14 “(vi) the bond is issued after Decem-
15 ber 31, 2005, and before January 1, 2007.

16 “(B) STATE MATCHING REQUIREMENT.—A
17 bond shall not be treated as a Gulf tax credit
18 bond unless—

19 “(i) the issuer of such bond pledges as
20 of the date of the issuance of the issue an
21 amount equal to the face amount of such
22 bond to be used for payments described in
23 subclause (I) of subparagraph (A)(ii), or
24 loans described in subclause (II) of such
25 subparagraph, as the case may be, with re-

1 spect to the issue of which such bond is a
2 part, and

3 “(ii) any such payment or loan is
4 made in equal amounts from the proceeds
5 of such issue and from the amount pledged
6 under clause (i).

7 The requirement of clause (ii) shall be treated
8 as met with respect to any such payment or
9 loan made during the 1-year period beginning
10 on the date of the issuance (or any successor 1-
11 year period) if such requirement is met when
12 applied with respect to the aggregate amount of
13 such payments and loans made during such pe-
14 riod.

15 “(C) AGGREGATE LIMIT ON BOND DES-
16 IGNATIONS.—The maximum aggregate face
17 amount of bonds which may be designated
18 under this subsection by the Governor of a
19 State shall not exceed—

20 “(i) \$200,000,000 in the case of the
21 State of Louisiana,

22 “(ii) \$100,000,000 in the case of the
23 State of Mississippi, and

24 “(iii) \$50,000,000 in the case of the
25 State of Alabama.

1 “(D) SPECIAL RULES RELATING TO ARBI-
2 TRAGE.—A bond which is part of an issue shall
3 not be treated as a Gulf tax credit bond unless,
4 with respect to the issue of which the bond is
5 a part, the issuer satisfies the arbitrage require-
6 ments of section 148 with respect to proceeds
7 of the issue and any loans made with such pro-
8 ceeds.

9 “(5) QUALIFIED BOND.—For purposes of this
10 subsection—

11 “(A) IN GENERAL.—The term ‘qualified
12 bond’ means any obligation of a State or polit-
13 ical subdivision thereof which was outstanding
14 on August 28, 2005.

15 “(B) EXCEPTION FOR PRIVATE ACTIVITY
16 BONDS.—Such term shall not include any pri-
17 vate activity bond.

18 “(C) EXCEPTION FOR ADVANCE
19 REFUNDINGS.—Such term shall not include any
20 bond—

21 “(i) which is designated as an advance
22 refunding bond under subsection (b)(1), or

23 “(ii) with respect to which there is
24 any outstanding bond to refund such bond.

1 “(6) CREDIT INCLUDED IN GROSS INCOME.—
2 Gross income includes the amount of the credit al-
3 lowed to the taxpayer under this subsection (deter-
4 mined without regard to paragraph (3)) and the
5 amount so included shall be treated as interest in-
6 come.

7 “(7) OTHER DEFINITIONS AND SPECIAL
8 RULES.—For purposes of this subsection—

9 “(A) BOND.—The term ‘bond’ includes
10 any obligation.

11 “(B) PARTNERSHIP; S CORPORATION; AND
12 OTHER PASS-THRU ENTITIES.—

13 “(i) IN GENERAL.—Under regulations
14 prescribed by the Secretary, in the case of
15 a partnership, trust, S corporation, or
16 other pass-thru entity, rules similar to the
17 rules of section 41(g) shall apply with re-
18 spect to the credit allowable under para-
19 graph (1).

20 “(ii) NO BASIS ADJUSTMENT.—In the
21 case of a bond held by a partnership or an
22 S corporation, rules similar to the rules
23 under section 1397E(i) shall apply.

24 “(C) BONDS HELD BY REGULATED IN-
25 VESTMENT COMPANIES.—If any Gulf tax credit

1 bond is held by a regulated investment com-
2 pany, the credit determined under paragraph
3 (1) shall be allowed to shareholders of such
4 company under procedures prescribed by the
5 Secretary.

6 “(D) REPORTING.—Issuers of Gulf tax
7 credit bonds shall submit reports similar to the
8 reports required under section 149(e).

9 “(E) CREDIT TREATED AS NONREFUND-
10 ABLE BONDHOLDER CREDIT.—For purposes of
11 this title, the credit allowed by this subsection
12 shall be treated as a credit allowable under sub-
13 part H of part IV of subchapter A of this chap-
14 ter.”.

15 (b) CONFORMING AMENDMENTS.—

16 (1) Paragraph (2) of section 54(c) is amended
17 by inserting “, section 1400N(l),” after “subpart
18 C”.

19 (2) Subparagraph (A) of section 6049(d)(8) is
20 amended—

21 (A) by inserting “or 1400N(l)(6)” after
22 “section 54(g)”, and

23 (B) by inserting “or 1400N(l)(2)(D), as
24 the case may be” after “section 54(b)(4)”.

1 (3) So much of subchapter Y of chapter 1 as
 2 precedes section 1400L is amended to read as fol-
 3 lows:

4 **“Subchapter Y—Short-term Regional Benefits**

“PART I—TAX BENEFITS FOR NEW YORK LIBERTY ZONE

“PART II—TAX BENEFITS FOR GULF OPPORTUNITY ZONE

5 **“PART I—TAX BENEFITS FOR NEW YORK LIBERTY**
 6 **ZONE**

“Sec. 1400L. Tax benefits for New York Liberty Zone.”.

7 (4) The item relating to subchapter Y in the
 8 table of subchapters for chapter 1 is amended to
 9 read as follows:

“SUBCHAPTER Y—SHORT-TERM REGIONAL BENEFITS”.

10 (c) EFFECTIVE DATE.—

11 (1) IN GENERAL.—Except as provided in para-
 12 graph (2), the amendments made by this section
 13 shall apply to taxable years ending on or after Au-
 14 gust 28, 2005.

15 (2) CARRYBACKS.—Subsections (i)(2), (j), and
 16 (k) of section 1400N of the Internal Revenue Code
 17 of 1986 (as added by this section) shall apply to
 18 losses arising in such taxable years.

1 **SEC. 102. FEDERAL GUARANTEE OF CERTAIN STATE**
2 **BONDS.**

3 (a) STATE BONDS DESCRIBED.—This section shall
4 apply to a bond issued as part of an issue if—

5 (1) the issue of which such bond is part is an
6 issue of the State of Alabama, Louisiana, or Mis-
7 sissippi,

8 (2) the bond is a general obligation of the
9 issuing State and is in registered form,

10 (3) the proceeds of the bond are distributed to
11 one or more political subdivisions of the issuing
12 State,

13 (4) the maturity of such bond does not exceed
14 5 years,

15 (5) the bond is issued after the date of the en-
16 actment of this Act and before January 1, 2008,
17 and

18 (6) the bond is designated by the Secretary of
19 the Treasury for purposes of this section.

20 (b) APPLICATION.—

21 (1) IN GENERAL.—The Secretary of the Treas-
22 ury may only designate a bond for purposes of this
23 section pursuant to an application submitted to the
24 Secretary by the State which demonstrates the need
25 for such designation on the basis of the criteria
26 specified in paragraph (2).

1 (2) CRITERIA.—For purposes of paragraph (1),
2 the criteria specified in this paragraph are—

3 (A) the loss of revenue base of one or more
4 political subdivisions of the State by reason of
5 Hurricane Katrina,

6 (B) the need for resources to fund infra-
7 structure within, or operating expenses of, any
8 such political subdivision,

9 (C) the lack of access of such political sub-
10 division to capital, and

11 (D) any other criteria as may be deter-
12 mined by the Secretary.

13 (3) GUIDANCE FOR SUBMISSION AND CONSID-
14 ERATION OF APPLICATIONS.—The Secretary of the
15 Treasury shall prescribe regulations or other guid-
16 ance which provide for the time and manner for the
17 submission and consideration of applications under
18 this subsection.

19 (c) FEDERAL GUARANTEE.—A bond described in
20 subsection (a) is guaranteed by the United States in an
21 amount equal to 50 percent of the outstanding principal
22 with respect to such bond.

23 (d) AGGREGATE LIMIT ON BOND DESIGNATIONS.—
24 The maximum aggregate face amount of bonds which may

1 be issued under this section shall not exceed
 2 \$3,000,000,000.

3 **TITLE II—TAX BENEFITS**
 4 **RELATED TO HURRICANE RITA**

5 **SEC. 201. EXTENSION OF CERTAIN EMERGENCY TAX RE-**
 6 **LIEF FOR HURRICANE KATRINA TO HURRI-**
 7 **CANE RITA.**

8 (a) IN GENERAL.—Part II of subchapter Y of chap-
 9 ter 1 (as added by this Act) is amended by adding at the
 10 end the following new sections:

11 **“SEC. 14000. SPECIAL RULES FOR USE OF RETIREMENT**
 12 **FUNDS.**

13 “(a) TAX-FAVORED WITHDRAWALS FROM RETIRE-
 14 MENT PLANS.—

15 “(1) IN GENERAL.—Section 72(t) shall not
 16 apply to any qualified hurricane distribution.

17 “(2) AGGREGATE DOLLAR LIMITATION.—

18 “(A) IN GENERAL.—For purposes of this
 19 subsection, the aggregate amount of distribu-
 20 tions received by an individual which may be
 21 treated as qualified hurricane distributions for
 22 any taxable year shall not exceed the excess (if
 23 any) of—

24 “(i) \$100,000, over

1 “(ii) the aggregate amounts treated as
2 qualified hurricane distributions received
3 by such individual for all prior taxable
4 years.

5 “(B) TREATMENT OF PLAN DISTRIBUTIONS.—If a distribution to an individual would
6 (without regard to subparagraph (A)) be a
7 qualified hurricane distribution, a plan shall not
8 be treated as violating any requirement of this
9 title merely because the plan treats such dis-
10 tribution as a qualified hurricane distribution,
11 unless the aggregate amount of such distribu-
12 tions from all plans maintained by the employer
13 (and any member of any controlled group which
14 includes the employer) to such individual ex-
15 ceeds \$100,000.
16

17 “(C) CONTROLLED GROUP.—For purposes
18 of subparagraph (B), the term ‘controlled
19 group’ means any group treated as a single em-
20 ployer under subsection (b), (c), (m), or (o) of
21 section 414.

22 “(3) AMOUNT DISTRIBUTED MAY BE REPAID.—
23 “(A) IN GENERAL.—Any individual who
24 receives a qualified hurricane distribution may,
25 at any time during the 3-year period beginning

1 on the day after the date on which such dis-
2 tribution was received, make one or more con-
3 tributions in an aggregate amount not to exceed
4 the amount of such distribution to an eligible
5 retirement plan of which such individual is a
6 beneficiary and to which a rollover contribution
7 of such distribution could be made under sec-
8 tion 402(e), 403(a)(4), 403(b)(8), 408(d)(3), or
9 457(e)(16), as the case may be.

10 “(B) TREATMENT OF REPAYMENTS OF
11 DISTRIBUTIONS FROM ELIGIBLE RETIREMENT
12 PLANS OTHER THAN IRAS.—For purposes of
13 this title, if a contribution is made pursuant to
14 subparagraph (A) with respect to a qualified
15 hurricane distribution from an eligible retire-
16 ment plan other than an individual retirement
17 plan, then the taxpayer shall, to the extent of
18 the amount of the contribution, be treated as
19 having received the qualified hurricane distribu-
20 tion in an eligible rollover distribution (as de-
21 fined in section 402(e)(4)) and as having trans-
22 ferred the amount to the eligible retirement
23 plan in a direct trustee to trustee transfer with-
24 in 60 days of the distribution.

1 “(C) TREATMENT OF REPAYMENTS FOR
2 DISTRIBUTIONS FROM IRAS.—For purposes of
3 this title, if a contribution is made pursuant to
4 subparagraph (A) with respect to a qualified
5 hurricane distribution from an individual retire-
6 ment plan (as defined by section 7701(a)(37)),
7 then, to the extent of the amount of the con-
8 tribution, the qualified hurricane distribution
9 shall be treated as a distribution described in
10 section 408(d)(3) and as having been trans-
11 ferred to the eligible retirement plan in a direct
12 trustee to trustee transfer within 60 days of the
13 distribution.

14 “(4) DEFINITIONS.—For purposes of this sub-
15 section—

16 “(A) QUALIFIED HURRICANE DISTRIBUTION.—Except as provided in paragraph (2),
17 the term ‘qualified hurricane distribution’
18 means—
19 means—

20 “(i) any distribution from an eligible
21 retirement plan made on or after August
22 25, 2005, and before January 1, 2007, to
23 an individual whose principal place of
24 abode on August 28, 2005, is located in
25 the Hurricane Katrina disaster area and

1 who has sustained an economic loss by rea-
2 son of Hurricane Katrina, and

3 “(ii) any distribution (which is not de-
4 scribed in clause (i)) from an eligible re-
5 tirement plan made on or after September
6 23, 2005, and before January 1, 2007, to
7 an individual whose principal place of
8 abode on September 23, 2005, is located in
9 the Hurricane Rita disaster area and who
10 has sustained an economic loss by reason
11 of Hurricane Rita.

12 “(B) ELIGIBLE RETIREMENT PLAN.—The
13 term ‘eligible retirement plan’ shall have the
14 meaning given such term by section
15 402(c)(8)(B).

16 “(5) INCOME INCLUSION SPREAD OVER 3-YEAR
17 PERIOD.—

18 “(A) IN GENERAL.—In the case of any
19 qualified hurricane distribution, unless the tax-
20 payer elects not to have this paragraph apply
21 for any taxable year, any amount required to be
22 included in gross income for such taxable year
23 shall be so included ratably over the 3-taxable
24 year period beginning with such taxable year.

1 “(B) SPECIAL RULE.—For purposes of
2 subparagraph (A), rules similar to the rules of
3 subparagraph (E) of section 408A(d)(3) shall
4 apply.

5 “(6) SPECIAL RULES.—

6 “(A) EXEMPTION OF DISTRIBUTIONS FROM
7 TRUSTEE TO TRUSTEE TRANSFER AND WITH-
8 HOLDING RULES.—For purposes of sections
9 401(a)(31), 402(f), and 3405, qualified hurri-
10 cane distributions shall not be treated as eligi-
11 ble rollover distributions.

12 “(B) QUALIFIED HURRICANE DISTRIBUTU-
13 TIONS TREATED AS MEETING PLAN DISTRIBUTU-
14 TION REQUIREMENTS.—For purposes this title,
15 a qualified hurricane distribution shall be treat-
16 ed as meeting the requirements of sections
17 401(k)(2)(B)(i), 403(b)(7)(A)(ii), 403(b)(11),
18 and 457(d)(1)(A).

19 “(b) RECONTRIBUTIONS OF WITHDRAWALS FOR
20 HOME PURCHASES.—

21 “(1) RECONTRIBUTIONS.—

22 “(A) IN GENERAL.—Any individual who
23 received a qualified distribution may, during the
24 applicable period, make one or more contribu-
25 tions in an aggregate amount not to exceed the

1 amount of such qualified distribution to an eli-
2 gible retirement plan (as defined in section
3 402(c)(8)(B)) of which such individual is a ben-
4 efiary and to which a rollover contribution of
5 such distribution could be made under section
6 402(c), 403(a)(4), 403(b)(8), or 408(d)(3), as
7 the case may be.

8 “(B) TREATMENT OF REPAYMENTS.—
9 Rules similar to the rules of subparagraphs (B)
10 and (C) of subsection (a)(3) shall apply for pur-
11 poses of this subsection.

12 “(2) QUALIFIED DISTRIBUTION.—For purposes
13 of this subsection—

14 “(A) IN GENERAL.—The term ‘qualified
15 distribution’ means any qualified Katrina dis-
16 tribution and any qualified Rita distribution.

17 “(B) QUALIFIED KATRINA DISTRIBUTION.—The term ‘qualified Katrina distribu-
18 tion’ means any distribution—
19

20 “(i) described in section
21 401(k)(2)(B)(i)(IV), 403(b)(7)(A)(ii) (but
22 only to the extent such distribution relates
23 to financial hardship), 403(b)(11)(B), or
24 72(t)(2)(F),

1 “(ii) received after February 28,
2 2005, and before August 29, 2005, and

3 “(iii) which was to be used to pur-
4 chase or construct a principal residence in
5 the Hurricane Katrina disaster area, but
6 which was not so purchased or constructed
7 on account of Hurricane Katrina.

8 “(C) QUALIFIED RITA DISTRIBUTION.—
9 The term ‘qualified Rita distribution’ means
10 any distribution (other than a qualified Katrina
11 distribution)—

12 “(i) described in section
13 401(k)(2)(B)(i)(IV), 403(b)(7)(A)(ii) (but
14 only to the extent such distribution relates
15 to financial hardship), 403(b)(11)(B), or
16 72(t)(2)(F),

17 “(ii) received after February 28,
18 2005, and before September 24, 2005, and

19 “(iii) which was to be used to pur-
20 chase or construct a principal residence in
21 the Hurricane Rita disaster area, but
22 which was not so purchased or constructed
23 on account of Hurricane Rita.

24 “(3) APPLICABLE PERIOD.—For purposes of
25 this subsection, the term ‘applicable period’ means—

1 “(A) with respect to any qualified Katrina
2 distribution, the period beginning on August
3 25, 2005, and ending on February 28, 2006,
4 and

5 “(B) with respect to any qualified Rita dis-
6 tribution, the period beginning on September
7 23, 2005, and ending on February 28, 2006.

8 “(c) LOANS FROM QUALIFIED PLANS.—

9 “(1) INCREASE IN LIMIT ON LOANS NOT TREAT-
10 ED AS DISTRIBUTIONS.—In the case of any loan
11 from a qualified employer plan (as defined under
12 section 72(p)(4)) to a qualified individual made dur-
13 ing the applicable period—

14 “(A) clause (i) of section 72(p)(2)(A) shall
15 be applied by substituting ‘\$100,000’ for
16 ‘\$50,000’, and

17 “(B) clause (ii) of such section shall be ap-
18 plied by substituting ‘the present value of the
19 nonforfeitable accrued benefit of the employee
20 under the plan’ for ‘one-half of the present
21 value of the nonforfeitable accrued benefit of
22 the employee under the plan’.

23 “(2) DELAY OF REPAYMENT.—In the case of a
24 qualified individual with an outstanding loan on or

1 after the qualified beginning date from a qualified
2 employer plan (as defined in section 72(p)(4))—

3 “(A) if the due date pursuant to subpara-
4 graph (B) or (C) of section 72(p)(2) for any re-
5 payment with respect to such loan occurs dur-
6 ing the period beginning on the qualified begin-
7 ning date and ending on December 31, 2006,
8 such due date shall be delayed for 1 year,

9 “(B) any subsequent repayments with re-
10 spect to any such loan shall be appropriately
11 adjusted to reflect the delay in the due date
12 under paragraph (1) and any interest accruing
13 during such delay, and

14 “(C) in determining the 5-year period and
15 the term of a loan under subparagraph (B) or
16 (C) of section 72(p)(2), the period described in
17 subparagraph (A) shall be disregarded.

18 “(3) QUALIFIED INDIVIDUAL.—For purposes of
19 this subsection—

20 “(A) IN GENERAL.—The term ‘qualified
21 individual’ means any qualified Hurricane
22 Katrina individual and any qualified Hurricane
23 Rita individual.

24 “(B) QUALIFIED HURRICANE KATRINA IN-
25 DIVIDUAL.—The term ‘qualified Hurricane

1 Katrina individual’ means an individual whose
2 principal place of abode on August 28, 2005, is
3 located in the Hurricane Katrina disaster area
4 and who has sustained an economic loss by rea-
5 son of Hurricane Katrina.

6 “(C) QUALIFIED HURRICANE RITA INDI-
7 VIDUAL.—The term ‘qualified Hurricane Rita
8 individual’ means an individual (other than a
9 qualified Hurricane Katrina individual) whose
10 principal place of abode on September 23,
11 2005, is located in the Hurricane Rita disaster
12 area and who has sustained an economic loss by
13 reason of Hurricane Rita.

14 “(4) APPLICABLE PERIOD; QUALIFIED BEGIN-
15 NING DATE.—For purposes of this subsection—

16 “(A) HURRICANE KATRINA.—In the case
17 of any qualified Hurricane Katrina individual—

18 “(i) the applicable period is the period
19 beginning on September 24, 2005, and
20 ending on December 31, 2006, and

21 “(ii) the qualified beginning date is
22 August 25, 2005.

23 “(B) HURRICANE RITA.—In the case of
24 any qualified Hurricane Rita individual—

1 “(i) the applicable period is the period
2 beginning on the date of the enactment of
3 this subsection and ending on December
4 31, 2006, and

5 “(ii) the qualified beginning date is
6 September 23, 2005.

7 “(d) PROVISIONS RELATING TO PLAN AMEND-
8 MENTS.—

9 “(1) IN GENERAL.—If this subsection applies to
10 any amendment to any plan or annuity contract,
11 such plan or contract shall be treated as being oper-
12 ated in accordance with the terms of the plan during
13 the period described in paragraph (2)(B)(i).

14 “(2) AMENDMENTS TO WHICH SUBSECTION AP-
15 PLIES.—

16 “(A) IN GENERAL.—This subsection shall
17 apply to any amendment to any plan or annuity
18 contract which is made—

19 “(i) pursuant to this section, or pur-
20 suant to any regulation issued by the Sec-
21 retary or the Secretary of Labor under this
22 section, and

23 “(ii) on or before the last day of the
24 first plan year beginning on or after Janu-

1 ary 1, 2007, or such later date as the Sec-
2 retary may prescribe.

3 In the case of a governmental plan (as defined
4 in section 414(d)), clause (ii) shall be applied
5 by substituting the date which is 2 years after
6 the date otherwise applied under clause (ii).

7 “(B) CONDITIONS.—This subsection shall
8 not apply to any amendment unless—

9 “(i) during the period—

10 “(I) beginning on the date that
11 this section or the regulation de-
12 scribed in subparagraph (A)(i) takes
13 effect (or in the case of a plan or con-
14 tract amendment not required by this
15 section or such regulation, the effec-
16 tive date specified by the plan), and

17 “(II) ending on the date de-
18 scribed in subparagraph (A)(ii) (or, if
19 earlier, the date the plan or contract
20 amendment is adopted),

21 the plan or contract is operated as if such
22 plan or contract amendment were in effect;
23 and

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

1 **“SEC. 1400P. EMPLOYMENT RELIEF.**

2 “(a) **EMPLOYEE RETENTION CREDIT FOR EMPLOY-**
3 **ERS AFFECTED BY HURRICANE KATRINA.—**

4 “(1) **IN GENERAL.—**For purposes of section 38,
5 in the case of an eligible employer, the Hurricane
6 Katrina employee retention credit for any taxable
7 year is an amount equal to 40 percent of the quali-
8 fied wages with respect to each eligible employee of
9 such employer for such taxable year. For purposes
10 of the preceding sentence, the amount of qualified
11 wages which may be taken into account with respect
12 to any individual shall not exceed \$6,000.

13 “(2) **DEFINITIONS.—**For purposes of this sub-
14 section—

15 “(A) **ELIGIBLE EMPLOYER.—**The term ‘eli-
16 gible employer’ means any employer—

17 “(i) which conducted an active trade
18 or business on August 28, 2005, in the GO
19 Zone, and

20 “(ii) with respect to whom the trade
21 or business described in clause (i) is inop-
22 erable on any day after August 28, 2005,
23 and before January 1, 2006, as a result of
24 damage sustained by reason of Hurricane
25 Katrina.

1 “(B) ELIGIBLE EMPLOYEE.—The term ‘el-
2 igible employee’ means with respect to an eligi-
3 ble employer an employee whose principal place
4 of employment on August 28, 2005, with such
5 eligible employer was in the GO Zone.

6 “(C) QUALIFIED WAGES.—The term
7 ‘qualified wages’ means wages (as defined in
8 section 51(c)(1), but without regard to section
9 3306(b)(2)(B)) paid or incurred by an eligible
10 employer with respect to an eligible employee on
11 any day after August 28, 2005, and before Jan-
12 uary 1, 2006, which occurs during the period—

13 “(i) beginning on the date on which
14 the trade or business described in subpara-
15 graph (A) first became inoperable at the
16 principal place of employment of the em-
17 ployee immediately before Hurricane
18 Katrina, and

19 “(ii) ending on the date on which such
20 trade or business has resumed significant
21 operations at such principal place of em-
22 ployment.

23 Such term shall include wages paid without re-
24 gard to whether the employee performs no serv-
25 ices, performs services at a different place of

1 employment than such principal place of em-
2 ployment, or performs services at such principal
3 place of employment before significant oper-
4 ations have resumed.

5 “(3) CREDIT NOT ALLOWED FOR LARGE BUSI-
6 NESSES.—The term ‘eligible employer’ shall not in-
7 clude any trade or business for any taxable year if
8 such trade or business employed an average of more
9 than 200 employees on business days during the tax-
10 able year.

11 “(4) CERTAIN RULES TO APPLY.—For purposes
12 of this subsection, rules similar to the rules of sec-
13 tions 51(i)(1), 52, and 280C(a) shall apply.

14 “(5) EMPLOYEE NOT TAKEN INTO ACCOUNT
15 MORE THAN ONCE.—An employee shall not be treat-
16 ed as an eligible employee for purposes of this sub-
17 section for any period with respect to any employer
18 if such employer is allowed a credit under section 51
19 with respect to such employee for such period.

20 “(b) EMPLOYEE RETENTION CREDIT FOR EMPLOY-
21 ERS AFFECTED BY HURRICANE RITA.—

22 “(1) IN GENERAL.—For purposes of section 38,
23 in the case of an eligible employer, the Hurricane
24 Rita employee retention credit for any taxable year
25 is an amount equal to 40 percent of the qualified

1 wages with respect to each eligible employee of such
2 employer for such taxable year. For purposes of the
3 preceding sentence, the amount of qualified wages
4 which may be taken into account with respect to any
5 individual shall not exceed \$6,000.

6 “(2) DEFINITIONS.—For purposes of this sub-
7 section—

8 “(A) ELIGIBLE EMPLOYER.—The term ‘eli-
9 gible employer’ means any employer—

10 “(i) which conducted an active trade
11 or business on September 23, 2005, in the
12 Rita GO Zone, and

13 “(ii) with respect to whom the trade
14 or business described in clause (i) is inop-
15 erable on any day after September 23,
16 2005, and before January 1, 2006, as a re-
17 sult of damage sustained by reason of
18 Hurricane Rita.

19 “(B) ELIGIBLE EMPLOYEE.—The term ‘el-
20 igible employee’ means with respect to an eligi-
21 ble employer an employee whose principal place
22 of employment on September 23, 2005, with
23 such eligible employer was in the Rita GO
24 Zone.

1 “(C) QUALIFIED WAGES.—The term
2 ‘qualified wages’ means wages (as defined in
3 section 51(c)(1), but without regard to section
4 3306(b)(2)(B)) paid or incurred by an eligible
5 employer with respect to an eligible employee on
6 any day after September 23, 2005, and before
7 January 1, 2006, which occurs during the pe-
8 riod—

9 “(i) beginning on the date on which
10 the trade or business described in subpara-
11 graph (A) first became inoperable at the
12 principal place of employment of the em-
13 ployee immediately before Hurricane Rita,
14 and

15 “(ii) ending on the date on which such
16 trade or business has resumed significant
17 operations at such principal place of em-
18 ployment.

19 Such term shall include wages paid without re-
20 gard to whether the employee performs no serv-
21 ices, performs services at a different place of
22 employment than such principal place of em-
23 ployment, or performs services at such principal
24 place of employment before significant oper-
25 ations have resumed.

1 “(3) CREDIT NOT ALLOWED FOR LARGE BUSI-
2 NESSES.—The term ‘eligible employer’ shall not in-
3 clude any trade or business for any taxable year if
4 such trade or business employed an average of more
5 than 200 employees on business days during the tax-
6 able year.

7 “(4) CERTAIN RULES TO APPLY.—For purposes
8 of this subsection, rules similar to the rules of sec-
9 tions 51(i)(1), 52, and 280C(a) shall apply.

10 “(5) EMPLOYEE NOT TAKEN INTO ACCOUNT
11 MORE THAN ONCE.—An employee shall not be treat-
12 ed as an eligible employee for purposes of this sub-
13 section for any period with respect to any employer
14 if such employer is allowed a credit under subsection
15 (a) or section 51 with respect to such employee for
16 such period.

17 **“SEC. 1400Q. ADDITIONAL TAX RELIEF PROVISIONS.**

18 “(a) TEMPORARY SUSPENSION OF LIMITATIONS ON
19 CHARITABLE CONTRIBUTIONS.—

20 “(1) IN GENERAL.—Except as otherwise pro-
21 vided in paragraph (2), section 170(b) shall not
22 apply to qualified contributions and such contribu-
23 tions shall not be taken into account for purposes of
24 applying subsections (b) and (d) of section 170 to
25 other contributions.

1 “(2) TREATMENT OF EXCESS CONTRIBU-
2 TIONS.—For purposes of section 170—

3 “(A) INDIVIDUALS.—In the case of an in-
4 dividual—

5 “(i) LIMITATION.—Any qualified con-
6 tribution shall be allowed only to the ex-
7 tent that the aggregate of such contribu-
8 tions does not exceed the excess of the tax-
9 payer’s contribution base (as defined in
10 subparagraph (F) of section 170(b)(1))
11 over the amount of all other charitable
12 contributions allowed under section
13 170(b)(1).

14 “(ii) CARRYOVER.—If the aggregate
15 amount of qualified contributions made in
16 the contribution year (within the meaning
17 of section 170(d)(1)) exceeds the limitation
18 of clause (i), such excess shall be added to
19 the excess described in the portion of sub-
20 paragraph (A) of such section which pre-
21 cedes clause (i) thereof for purposes of ap-
22 plying such section.

23 “(B) CORPORATIONS.—In the case of a
24 corporation—

1 “(i) LIMITATION.—Any qualified con-
2 tribution shall be allowed only to the ex-
3 tent that the aggregate of such contribu-
4 tions does not exceed the excess of the tax-
5 payer’s taxable income (as determined
6 under paragraph (2) of section 170(b))
7 over the amount of all other charitable
8 contributions allowed under such para-
9 graph.

10 “(ii) CARRYOVER.—Rules similar to
11 the rules of subparagraph (A)(ii) shall
12 apply for purposes of this subparagraph.

13 “(3) EXCEPTION TO OVERALL LIMITATION ON
14 ITEMIZED DEDUCTIONS.—So much of any deduction
15 allowed under section 170 as does not exceed the
16 qualified contributions paid during the taxable year
17 shall not be treated as an itemized deduction for
18 purposes of section 68.

19 “(4) QUALIFIED CONTRIBUTIONS.—

20 “(A) IN GENERAL.—For purposes of this
21 subsection, the term ‘qualified contribution’
22 means any charitable contribution (as defined
23 in section 170(c)) if—

24 “(i) such contribution is paid during
25 the period beginning on August 28, 2005,

1 and ending on December 31, 2005, in cash
2 to an organization described in section
3 170(b)(1)(A) (other than an organization
4 described in section 509(a)(3)),

5 “(ii) in the case of a contribution paid
6 by a corporation, such contribution is for
7 relief efforts related to Hurricane Katrina
8 or Hurricane Rita, and

9 “(iii) the taxpayer has elected the ap-
10 plication of this subsection with respect to
11 such contribution.

12 “(B) EXCEPTION.—Such term shall not in-
13 clude a contribution if the contribution is for
14 establishment of a new, or maintenance in an
15 existing, segregated fund or account with re-
16 spect to which the donor (or any person ap-
17 pointed or designated by such donor) has, or
18 reasonably expects to have, advisory privileges
19 with respect to distributions or investments by
20 reason of the donor’s status as a donor.

21 “(C) APPLICATION OF ELECTION TO PART-
22 NERSHIPS AND S CORPORATIONS.—In the case
23 of a partnership or S corporation, the election
24 under subparagraph (A)(iii) shall be made sepa-
25 rately by each partner or shareholder.

1 “(b) SUSPENSION OF CERTAIN LIMITATIONS ON
2 PERSONAL CASUALTY LOSSES.—Paragraphs (1) and
3 (2)(A) of section 165(h) shall not apply to losses described
4 in section 165(c)(3)—

5 “(1) which arise in the Hurricane Katrina dis-
6 aster area on or after August 25, 2005, and which
7 are attributable to Hurricane Katrina, or

8 “(2) which arise in the Hurricane Rita disaster
9 area on or after September 23, 2005, and which are
10 attributable to Hurricane Rita.

11 In the case of any other losses, section 165(h)(2)(A) shall
12 be applied without regard to the losses referred to in the
13 preceding sentence.

14 “(c) REQUIRED EXERCISE OF AUTHORITY UNDER
15 SECTION 7508A.—In the case of any taxpayer determined
16 by the Secretary to be affected by the Presidentially de-
17 clared disaster relating to Hurricane Katrina or Hurricane
18 Rita, any relief provided by the Secretary under section
19 7508A shall be for a period ending not earlier than Feb-
20 ruary 28, 2006.

21 “(d) SPECIAL RULE FOR DETERMINING EARNED IN-
22 COME.—

23 “(1) IN GENERAL.—In the case of a qualified
24 individual, if the earned income of the taxpayer for
25 the taxable year which includes the applicable date

1 is less than the earned income of the taxpayer for
2 the preceding taxable year, the credits allowed under
3 sections 24(d) and 32 may, at the election of the
4 taxpayer, be determined by substituting—

5 “(A) such earned income for the preceding
6 taxable year, for

7 “(B) such earned income for the taxable
8 year which includes the applicable date.

9 “(2) QUALIFIED INDIVIDUAL.—For purposes of
10 this subsection—

11 “(A) IN GENERAL.—The term ‘qualified
12 individual’ means any qualified Hurricane
13 Katrina individual and any qualified Hurricane
14 Rita individual.

15 “(B) QUALIFIED HURRICANE KATRINA IN-
16 DIVIDUAL.—The term ‘qualified Hurricane
17 Katrina individual’ means any individual whose
18 principal place of abode on August 25, 2005,
19 was located—

20 “(i) in the GO Zone, or

21 “(ii) in the Hurricane Katrina dis-
22 aster area (but outside the GO Zone) and
23 such individual was displaced from such
24 principal place of abode by reason of Hur-
25 ricane Katrina.

1 “(C) QUALIFIED HURRICANE RITA INDI-
2 VIDUAL.—The term ‘qualified Hurricane Rita
3 individual’ means any individual (other than a
4 qualified Hurricane Katrina individual) whose
5 principal place of abode on September 23,
6 2005, was located—

7 “(i) in the Rita GO Zone, or

8 “(ii) in the Hurricane Rita disaster
9 area (but outside the Rita GO Zone) and
10 such individual was displaced from such
11 principal place of abode by reason of Hur-
12 ricane Rita.

13 “(3) APPLICABLE DATE.—For purposes of this
14 subsection, the term ‘applicable date’ means—

15 “(A) in the case of a qualified Hurricane
16 Katrina individual, August 25, 2005, and

17 “(B) in the case of a qualified Hurricane
18 Rita individual, September 23, 2005.

19 “(4) EARNED INCOME.—For purposes of this
20 subsection, the term ‘earned income’ has the mean-
21 ing given such term under section 32(c).

22 “(5) SPECIAL RULES.—

23 “(A) APPLICATION TO JOINT RETURNS.—
24 For purposes of paragraph (1), in the case of

1 a joint return for a taxable year which includes
2 the applicable date—

3 “(i) such paragraph shall apply if ei-
4 ther spouse is a qualified individual, and

5 “(ii) the earned income of the tax-
6 payer for the preceding taxable year shall
7 be the sum of the earned income of each
8 spouse for such preceding taxable year.

9 “(B) UNIFORM APPLICATION OF ELEC-
10 TION.—Any election made under paragraph (1)
11 shall apply with respect to both section 24(d)
12 and section 32.

13 “(C) ERRORS TREATED AS MATHEMATICAL
14 ERROR.—For purposes of section 6213, an in-
15 correct use on a return of earned income pursu-
16 ant to paragraph (1) shall be treated as a
17 mathematical or clerical error.

18 “(D) NO EFFECT ON DETERMINATION OF
19 GROSS INCOME, ETC.—Except as otherwise pro-
20 vided in this subsection, this title shall be ap-
21 plied without regard to any substitution under
22 paragraph (1).

23 “(e) SECRETARIAL AUTHORITY TO MAKE ADJUST-
24 MENTS REGARDING TAXPAYER AND DEPENDENCY STA-
25 TUS.—With respect to taxable years beginning in 2005 or

1 2006, the Secretary may make such adjustments in the
2 application of the internal revenue laws as may be nec-
3 essary to ensure that taxpayers do not lose any deduction
4 or credit or experience a change of filing status by reason
5 of temporary relocations by reason of Hurricane Katrina
6 or Hurricane Rita. Any adjustments made under the pre-
7 ceding sentence shall ensure that an individual is not
8 taken into account by more than one taxpayer with respect
9 to the same tax benefit.”.

10 (b) CONFORMING AMENDMENTS.—

11 (1) Subsection (b) of section 38 is amended by
12 striking “and” at the end of paragraph (25), by
13 striking the period at the end of paragraph (26) and
14 inserting a comma, and by adding at the end the fol-
15 lowing new paragraphs:

16 “(27) the Hurricane Katrina employee reten-
17 tion credit determined under section 1400P(a), and

18 “(28) the Hurricane Rita employee retention
19 credit determined under section 1400P(b).”.

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

“Sec. 1400O. Special rules for use of retirement funds.

“Sec. 1400P. Employment relief.

“Sec. 1400Q. Additional tax relief provisions.”.

1 (3) The heading for such part is amended by
2 striking “**GULF OPPORTUNITY ZONE**” and
3 inserting “**HURRICANE RELIEF**”.

4 (4) The following provisions of the Katrina
5 Emergency Tax Relief Act of 2005 are hereby re-
6 pealed:

7 (A) Title I.

8 (B) Sections 202, 301, 402, 403(b), 406,
9 and 407.

10 **TITLE III—OTHER PROVISIONS**

11 **SEC. 301. SECRETARIAL AUTHORITY TO EXTEND PERIOD** 12 **DURING WHICH TRAVELING EXPENSES ARE** 13 **TREATED AS INCURRED AWAY FROM HOME** 14 **IN CASE OF MAJOR DISASTER.**

15 (a) IN GENERAL.—Section 162 (relating to trade or
16 business expenses) is amended by redesignating subsection
17 (q) as subsection (r) and by inserting after subsection (p)
18 the following new subsection:

19 “(q) LIMITATION ON TRAVELING EXPENSES.—

20 “(1) IN GENERAL.—For purposes of subsection
21 (a)(2), the taxpayer shall not be treated as being
22 temporarily away from home during any period of
23 employment if such period exceeds 1 year.

24 “(2) AUTHORITY TO EXTEND IN CASE OF
25 MAJOR DISASTER.—In the case of a taxpayer who is

1 away from home in pursuit of a trade or business
2 by reason of a disaster which the President has de-
3 clared to be a major disaster under section 401 of
4 the Robert T. Stafford Disaster Relief and Emer-
5 gency Assistance Act, the Secretary may extend the
6 1-year period referred to in paragraph (1) for a pe-
7 riod not exceeding 1 additional year.

8 “(3) EXCEPTION FOR CERTAIN FEDERAL EM-
9 PLOYEES DESIGNATED BY THE ATTORNEY GEN-
10 ERAL.—Paragraph (1) shall not apply to any Fed-
11 eral employee during any period for which such em-
12 ployee is certified by the Attorney General (or the
13 designee thereof) as traveling on behalf of the
14 United States in temporary duty status to inves-
15 tigate or prosecute, or provide support services for
16 the investigation or prosecution of, a Federal
17 crime.”.

18 (b) CONFORMING AMENDMENT.—Subsection (a) of
19 section 162 is amended by striking the last two sentences.

20 (c) EFFECTIVE DATE.—The amendments made by
21 this section shall apply to amounts paid or incurred after
22 the date of the enactment of this Act.

23 **SEC. 302. GULF COAST RECOVERY BONDS.**

24 It is the sense of the Congress that the Secretary of
25 the Treasury, or the Secretary’s delegate, should designate

1 one or more series of bonds or certificates (or any portion
2 thereof) issued under section 3105 of title 31, United
3 States Code, as “Gulf Coast Recovery Bonds” in response
4 to Hurricanes Katrina and Rita.

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