

113TH CONGRESS
2D SESSION

S. 2233

To provide tax relief for major disaster areas declared in 2012 and 2013
and for other purposes.

IN THE SENATE OF THE UNITED STATES

APRIL 9, 2014

Mr. SCHUMER (for himself, Mr. MENENDEZ, Mr. BENNET, Ms. LANDRIEU,
Mr. UDALL of Colorado, Mrs. GILLIBRAND, Mr. ROCKEFELLER, and Mr.
BOOKER) introduced the following bill; which was read twice and referred
to the Committee on Finance

A BILL

To provide tax relief for major disaster areas declared in
2012 and 2013 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; TABLE OF CONTENTS.**

4 (a) **SHORT TITLE.**—This Act may be cited as the
5 “National Disaster Tax Relief Act of 2014”.

6 (b) **TABLE OF CONTENTS.**—The table of contents for
7 this Act is as follows:

Sec. 1. Short title; table of contents.

TITLE I—TAX RELIEF RELATING TO DISASTERS IN 2012 AND
2013

- Sec. 101. Expensing of qualified disaster expenses.
- Sec. 102. Increased limitation on charitable contributions for disaster relief.
- Sec. 103. Losses attributable to disasters in 2012 and 2013.
- Sec. 104. Net operating losses attributable to disasters in 2012 and 2013.
- Sec. 105. Waiver of certain mortgage revenue bond requirements following 2012 and 2013 disasters.
- Sec. 106. Increased expensing and bonus depreciation for qualified disaster assistance property following 2012 and 2013 disasters.
- Sec. 107. Increase in new markets tax credit for investments in community development entities serving 2012 and 2013 disaster areas.
- Sec. 108. Special rules for use of retirement funds in connection with federally declared disasters in 2012 or 2013.
- Sec. 109. Additional exemption for housing qualified disaster displaced individuals.
- Sec. 110. Exclusions of certain cancellations of indebtedness by reason of 2012 or 2013 disasters.
- Sec. 111. Special rule for determining earned income of individuals affected by federally declared disasters.
- Sec. 112. Increase in rehabilitation credit for buildings in 2012 and 2013 disaster areas.
- Sec. 113. Advanced refundings of certain tax-exempt bonds.
- Sec. 114. Qualified disaster area recovery bonds.
- Sec. 115. Additional low-income housing credit allocations.
- Sec. 116. Facilitation of transfer of water leasing and water by mutual ditch or irrigation companies in disaster areas.

TITLE II—OTHER DISASTER TAX RELIEF PROVISIONS

- Sec. 201. Exclusion for disaster mitigation payments received from State and local governments.
- Sec. 202. Natural disaster funds.

1 **TITLE I—TAX RELIEF RELATING** 2 **TO DISASTERS IN 2012 AND 2013**

3 **SEC. 101. EXPENSING OF QUALIFIED DISASTER EXPENSES.**

4 (a) **IN GENERAL.**—Section 198A(b)(2) of the Inter-
5 nal Revenue Code of 1986 is amended—

6 (1) by striking “before January 1, 2010” in
7 subparagraph (A) and inserting “during the period
8 beginning after December 31, 2007, and before Jan-
9 uary 1, 2010, or during the period beginning after
10 December 31, 2011, and before January 1, 2014”,
11 and

1 “(ii) CARRYOVER.—If the aggregate
2 amount of contributions described in clause
3 (i) exceeds the limitation under clause (i),
4 such excess shall be treated (in a manner
5 consistent with the rules of subsection
6 (d)(1)) as a charitable contribution to
7 which clause (i) applies in each of the 5
8 succeeding years in order of time.

9 “(iii) COORDINATION WITH OTHER
10 SUBPARAGRAPHS.—For purposes of apply-
11 ing this subsection and subsection (d)(1),
12 contributions described in clause (i) shall
13 not be treated as described in subpara-
14 graph (A) and such subparagraph shall be
15 applied without regard to such contribu-
16 tions.

17 “(iv) QUALIFIED DISASTER CON-
18 TRIBUTIONS.—For purposes of this sub-
19 paragraph, the term ‘qualified disaster
20 contribution’ means any charitable con-
21 tribution if—

22 “(I) such contribution is for re-
23 lief efforts related to a federally de-
24 clared disaster (as defined in section
25 165(h)(3)(C)(i)),

1 “(II) such contribution is made
2 during the period beginning on the
3 applicable disaster date with respect
4 to the disaster described in subclause
5 (I) and ending on December 31,
6 2014, and

7 “(III) such contribution is made
8 in cash to an organization described
9 in subparagraph (A) (other than an
10 organization described in section
11 509(a)(3)).

12 Such term shall not include a contribution
13 if the contribution is for establishment of
14 a new, or maintenance in an existing,
15 donor advised fund (as defined in section
16 4966(d)(2)).

17 “(v) APPLICABLE DISASTER DATE.—
18 For purposes of clause (iv)(II), the term
19 ‘applicable disaster date’ means, with re-
20 spect to any federally declared disaster de-
21 scribed in clause (iv)(I), the date on which
22 the disaster giving rise to the Presidential
23 declaration described in section
24 165(h)(3)(C)(i) occurred.

1 “(vi) SUBSTANTIATION REQUIRE-
 2 MENT.—This paragraph shall not apply to
 3 any qualified disaster contribution unless
 4 the taxpayer obtains from such organiza-
 5 tion to which the contribution was made a
 6 contemporaneous written acknowledgment
 7 (within the meaning of subsection (f)(8))
 8 that such contribution was used (or is to
 9 be used) for a purpose described in clause
 10 (iv)(III).”.

11 (b) CORPORATIONS.—

12 (1) IN GENERAL.—Paragraph (2) of section
 13 170(b) of the Internal Revenue Code of 1986 is
 14 amended by redesignating subparagraph (C) as sub-
 15 paragraph (D) and by inserting after subparagraph
 16 (B) the following new subparagraph:

17 “(C) QUALIFIED DISASTER CONTRIBU-
 18 TIONS.—

19 “(i) IN GENERAL.—Any qualified dis-
 20 aster contribution shall be allowed to the
 21 extent that the aggregate of such contribu-
 22 tions does not exceed the excess of 20 per-
 23 cent of the taxpayer’s taxable income over
 24 the amount of charitable contributions al-
 25 lowed under subparagraph (A).

1 “(ii) CARRYOVER.—If the aggregate
2 amount of contributions described in clause
3 (i) exceeds the limitation under clause (i),
4 such excess shall be treated (in a manner
5 consistent with the rules of subsection
6 (d)(1)) as a charitable contribution to
7 which clause (i) applies in each of the 5
8 succeeding years in order of time.

9 “(iii) QUALIFIED DISASTER CON-
10 TRIBUTION.—The term ‘qualified disaster
11 contribution’ has the meaning given such
12 term under paragraph (2)(F)(iv).

13 “(iv) SUBSTANTIATION REQUIRE-
14 MENT.—This paragraph shall not apply to
15 any qualified disaster contribution unless
16 the taxpayer obtains from such organiza-
17 tion to which the contribution was made a
18 contemporaneous written acknowledgment
19 (within the meaning of subsection (f)(8))
20 that such contribution was used (or is to
21 be used) for a purpose described in para-
22 graph (1)(F)(iv)(III).”.

23 (2) CONFORMING AMENDMENTS.—

24 (A) Subparagraph (A) of section 170(b)(2)
25 of such Code is amended by striking “subpara-

1 graph (B) applies” and inserting “subpara-
2 graphs (B) and (C) apply”.

3 (B) Subparagraph (B) of section 170(b)(2)
4 of such Code is amended by striking “subpara-
5 graph (A)” and inserting “subparagraphs (A)
6 and (C)”.

7 (c) EFFECTIVE DATE.—The amendments made by
8 this section shall apply to disasters arising in taxable years
9 ending after December 31, 2011.

10 **SEC. 103. LOSSES ATTRIBUTABLE TO DISASTERS IN 2012**
11 **AND 2013.**

12 (a) WAIVER OF ADJUSTED GROSS INCOME LIMITA-
13 TION; INCREASE IN STANDARD DEDUCTION BY DISASTER
14 CASUALTY LOSS.—Subclause (I) of section
15 165(h)(3)(B)(i) of the Internal Revenue Code of 1986 is
16 amended by striking “before January 1, 2010” and insert-
17 ing “during the period beginning after December 31,
18 2007, and before January 1, 2010, or during the period
19 beginning after December 31, 2011, and before January
20 1, 2014”.

21 (b) LOSS ALLOWED WHETHER OR NOT INDIVIDUAL
22 ITEMIZED DEDUCTIONS.—Section 62(a) of the Internal
23 Revenue Code of 1986 is amended by inserting after para-
24 graph (21) the following new paragraph:

1 “(22) DISASTER CASUALTY LOSSES.—Any net
2 disaster loss (as defined in section 165(h)(3)(B)).”.

3 (c) TECHNICAL AMENDMENT.—Clause (i) of section
4 165(h)(3)(C) of the Internal Revenue Code of 1986 is
5 amended by inserting “major” after “means any”.

6 (d) EFFECTIVE DATE.—The amendments made by
7 this section shall apply to disasters declared in taxable
8 years beginning after December 31, 2011.

9 (e) USE OF AMENDED INCOME TAX RETURNS TO
10 TAKE INTO ACCOUNT RECEIPT OF CERTAIN CASUALTY
11 LOSS GRANTS BY DISALLOWING PREVIOUSLY TAKEN
12 CASUALTY LOSS DEDUCTIONS.—

13 (1) IN GENERAL.—Notwithstanding any other
14 provision of the Internal Revenue Code of 1986, if
15 a taxpayer—

16 (A) claims a deduction for any taxable year
17 with respect to a casualty loss to a principal
18 residence (within the meaning of section 121 of
19 such Code) resulting from any federally de-
20 clared disaster (as defined in section
21 165(h)(3)(C) of such Code) occurring during
22 the period beginning after December 31, 2011,
23 and before January 1, 2014, and

1 (B) in a subsequent taxable year receives
2 a grant under any Federal or State program as
3 reimbursement for such loss,
4 such taxpayer may elect to file an amended income
5 tax return for the taxable year in which such deduc-
6 tion was allowed (and for any taxable year to which
7 such deduction is carried) and reduce (but not below
8 zero) the amount of such deduction by the amount
9 of such reimbursement.

10 (2) TIME OF FILING AMENDED RETURN.—

11 Paragraph (1) shall apply with respect to any grant
12 only if any amended income tax returns with respect
13 to such grant are filed not later than the later of—

14 (A) the due date for filing the tax return
15 for the taxable year in which the taxpayer re-
16 ceives such grant, or

17 (B) the date which is 1 year after the date
18 of the enactment of this Act.

19 (3) WAIVER OF PENALTIES AND INTEREST.—

20 Any underpayment of tax resulting from the reduc-
21 tion under paragraph (1) of the amount otherwise
22 allowable as a deduction shall not be subject to any
23 penalty or interest under such Code if such tax is
24 paid not later than 1 year after the filing of the
25 amended return to which such reduction relates.

1 **SEC. 104. NET OPERATING LOSSES ATTRIBUTABLE TO DIS-**
2 **ASTERS IN 2012 AND 2013.**

3 (a) **IN GENERAL.**—Subclause (I) of section
4 172(j)(1)(A)(i) of the Internal Revenue Code of 1986 is
5 amended by striking “before January 1, 2010” and insert-
6 ing “during the period beginning after December 31,
7 2007, and before January 1, 2010, or during the period
8 beginning after December 31, 2011, and before January
9 1, 2014”.

10 (b) **EFFECTIVE DATE.**—The amendments made by
11 this section shall apply to losses arising in taxable years
12 beginning after December 31, 2011, in connection with
13 disasters declared after such date.

14 **SEC. 105. WAIVER OF CERTAIN MORTGAGE REVENUE BOND**
15 **REQUIREMENTS FOLLOWING 2012 AND 2013**
16 **DISASTERS.**

17 (a) **IN GENERAL.**—Section 143(k) of the Internal
18 Revenue Code of 1986 is amended—

19 (1) by redesignating paragraph (12), as added
20 by section 709(a) of the Tax Extenders and Alter-
21 native Minimum Tax Relief Act of 2008, as para-
22 graph (13), and

23 (2) by striking “before January 1, 2010” in
24 subparagraphs (A)(i) and (B)(i) of such paragraph
25 and inserting “during the period beginning after De-
26 cember 31, 2007, and before January 1, 2010, or

1 during the period beginning after December 31,
2 2011, and before January 1, 2014”.

3 (b) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to disasters occurring after Decem-
5 ber 31, 2011.

6 **SEC. 106. INCREASED EXPENSING AND BONUS DEPRECIATION FOR QUALIFIED DISASTER ASSISTANCE**
7 **PROPERTY FOLLOWING 2012 AND 2013 DISAS-**
8 **TERS.**
9

10 (a) IN GENERAL.—Subclause (I) of section
11 168(n)(2)(A)(ii) of the Internal Revenue Code of 1986 is
12 amended by striking “before January 1, 2010” and insert-
13 ing “during the period beginning after December 31,
14 2007, and before January 1, 2010, or during the period
15 beginning after December 31, 2011, and before January
16 1, 2014”.

17 (b) REMOVAL OF EXCLUSION.—Section
18 168(n)(2)(B)(i) of such Code is amended by inserting
19 “and” at the end of subclause (I), by striking “, and”
20 at the end of subclause (II) and inserting a period, and
21 by striking subclause (III).

22 (c) EFFECTIVE DATE.—The amendments made by
23 this section shall apply to property placed in service after
24 December 31, 2011, with respect to disasters declared
25 after such date.

1 SEC. 107. INCREASE IN NEW MARKETS TAX CREDIT FOR IN-
2 VESTMENTS IN COMMUNITY DEVELOPMENT
3 ENTITIES SERVING 2012 AND 2013 DISASTER
4 AREAS.

5 (a) IN GENERAL.—Subsection (f) of section 45D of
6 the Internal Revenue Code of 1986 is amended by adding
7 at the end the following new paragraph:

8 “(4) INCREASED SPECIAL ALLOCATION FOR
9 COMMUNITY DEVELOPMENT ENTITIES SERVING 2012
10 AND 2013 DISASTER AREAS.—

11 “(A) IN GENERAL.—In the case of each
12 calendar year which begins after 2012 and be-
13 fore 2016, the new markets tax credit limitation
14 shall be increased by an amount equal to
15 \$500,000,000, to be allocated among qualified
16 community development entities to make quali-
17 fied low-income community investments within
18 any 2012 or 2013 federally declared disaster
19 area.

20 “(B) ALLOCATION OF INCREASE.—The
21 amount of the increase in limitation under sub-
22 paragraph (A) shall be allocated by the Sec-
23 retary under paragraph (2) to qualified commu-
24 nity development entities and shall give priority
25 to such entities with a record of having success-
26 fully provided capital or technical assistance to

1 businesses or communities within any 2011 or
2 2012 federally declared disaster area or areas
3 for which the allocation is requested.

4 “(C) APPLICATION OF CARRYFORWARD.—
5 Paragraph (3) shall be applied separately with
6 respect to the amount of any increase under
7 subparagraph (A).

8 “(D) 2012 OR 2013 FEDERALLY DECLARED
9 DISASTER AREA.—For purposes of this para-
10 graph, the term ‘2012 or 2013 federally de-
11 clared disaster area’ means any disaster area
12 resulting from any federally declared disaster
13 occurring after December 31, 2011, and before
14 January 1, 2014. For purposes of the preceding
15 sentence, the terms ‘federally declared disaster’
16 and ‘disaster area’ have the meanings given
17 such terms in section 165(h)(3).”.

18 (b) EFFECTIVE DATE.—The amendments made by
19 this section shall apply to calendar years beginning after
20 2012.

21 **SEC. 108. SPECIAL RULES FOR USE OF RETIREMENT FUNDS**
22 **IN CONNECTION WITH FEDERALLY DE-**
23 **CLARED DISASTERS IN 2012 OR 2013.**

24 (a) TAX-FAVORED WITHDRAWALS FROM RETIRE-
25 MENT PLANS.—

1 (1) IN GENERAL.—Paragraph (2) of section
2 72(t) of the Internal Revenue Code of 1986 is
3 amended by adding at the end the following new
4 subparagraph:

5 “(H) DISTRIBUTIONS FROM RETIREMENT
6 PLANS IN CONNECTION WITH FEDERALLY DE-
7 CLARED DISASTERS DURING 2012 AND 2013.—
8 Any qualified 2012 or 2013 disaster recovery
9 distribution.”.

10 (2) QUALIFIED DISASTER RECOVERY DISTRIBUTION.—Section 72(t) of such Code is amended by
11 adding at the end the following new paragraph:

12 “(11) QUALIFIED 2012 OR 2013 DISASTER RE-
13 COVERY DISTRIBUTION.—For purposes of paragraph
14 (2)(H)—

15 “(A) IN GENERAL.—Except as provided in
16 subparagraph (B), the term ‘qualified disaster
17 recovery distribution’ means, with respect to
18 any federally declared disaster occurring during
19 2012 or 2013, any distribution from an eligible
20 retirement plan made on or after the applicable
21 disaster date and before January 1, 2015, to an
22 individual whose principal place of abode on the
23 applicable disaster date, is located in the dis-
24 aster area and who has sustained an economic
25

1 loss by reason of such federally declared dis-
2 aster.

3 “(B) DOLLAR LIMITATION.—

4 “(i) IN GENERAL.—For purposes of
5 this subsection, the aggregate amount of
6 distributions received by an individual with
7 respect to any federally declared disaster
8 occurring during 2012 or 2013 shall not
9 exceed \$100,000.

10 “(ii) TREATMENT OF PLAN DISTRIBUTIONS.—If a distribution to an individual
11 would (without regard to clause (i)) be a
12 qualified 2012 or 2013 disaster recovery
13 distribution, a plan shall not be treated as
14 violating any requirement of this title
15 merely because the plan treats such dis-
16 tribution as a qualified 2012 or 2013 dis-
17 aster recovery distribution, unless the ag-
18 gregate amount of such distributions from
19 all plans maintained by the employer (and
20 any member of any controlled group which
21 includes the employer) to such individual
22 with respect to any federally declared dis-
23 aster occurring during 2012 or 2013 ex-
24 ceeds \$100,000.
25

1 “(iii) CONTROLLED GROUP.—For pur-
2 poses of clause (ii), the term ‘controlled
3 group’ means any group treated as a single
4 employer under subsection (b), (c), (m), or
5 (o) of section 414.

6 “(C) AMOUNT DISTRIBUTED MAY BE RE-
7 PAID.—

8 “(i) IN GENERAL.—Any individual
9 who receives a qualified 2012 or 2013 dis-
10 aster recovery distribution may, at any
11 time during the 3-year period beginning on
12 the day after the date on which such dis-
13 tribution was received, make one or more
14 contributions in an aggregate amount not
15 to exceed the amount of such distribution
16 to an eligible retirement plan of which such
17 individual is a beneficiary and to which a
18 rollover contribution of such distribution
19 could be made under section 402(c),
20 403(a)(4), 403(b)(8), 408(d)(3), or
21 457(e)(16), as the case may be.

22 “(ii) TREATMENT OF REPAYMENTS OF
23 DISTRIBUTIONS FROM ELIGIBLE RETIRE-
24 MENT PLANS OTHER THAN IRAS.—For
25 purposes of this title, if a contribution is

1 made pursuant to clause (i) with respect to
2 a qualified 2012 or 2013 disaster recovery
3 distribution from an eligible retirement
4 plan other than an individual retirement
5 plan, then the taxpayer shall, to the extent
6 of the amount of the contribution, be treat-
7 ed as having received the qualified 2012 or
8 2013 disaster recovery distribution in an
9 eligible rollover distribution (as defined in
10 section 402(c)(4)) and as having trans-
11 ferred the amount to the eligible retire-
12 ment plan in a direct trustee to trustee
13 transfer within 60 days of the distribution.

14 “(iii) TREATMENT OF REPAYMENTS
15 FOR DISTRIBUTIONS FROM IRAS.—For
16 purposes of this title, if a contribution is
17 made pursuant to clause (i) with respect to
18 a qualified 2012 or 2013 disaster recovery
19 distribution from an individual retirement
20 plan (as defined by section 7701(a)(37)),
21 then, to the extent of the amount of the
22 contribution, the qualified 2012 or 2013
23 disaster recovery distribution shall be
24 treated as a distribution described in sec-
25 tion 408(d)(3) and as having been trans-

1 ferred to the eligible retirement plan in a
2 direct trustee to trustee transfer within 60
3 days of the distribution.

4 “(D) INCOME INCLUSION SPREAD OVER 3-
5 YEAR PERIOD.—

6 “(i) IN GENERAL.—In the case of any
7 qualified 2012 or 2013 disaster recovery
8 distribution, unless the taxpayer elects not
9 to have this paragraph apply for any tax-
10 able year, any amount required to be in-
11 cluded in gross income for such taxable
12 year shall be so included ratably over the
13 3-taxable-year period beginning with such
14 taxable year.

15 “(ii) SPECIAL RULE.—For purposes of
16 clause (i), rules similar to the rules of sub-
17 paragraph (E) of section 408A(d)(3) shall
18 apply.

19 “(E) OTHER DEFINITIONS.—

20 “(i) FEDERALLY DECLARED DIS-
21 ASTER; DISASTER AREA.—The terms ‘fed-
22 erally declared disaster’ and ‘disaster area’
23 have the meanings given such terms under
24 section 165(h)(3)(C).

1 “(ii) APPLICABLE DISASTER DATE.—

2 The term ‘applicable disaster date’ means,
3 with respect to any federally declared dis-
4 aster, the date on which such federally de-
5 clared disaster occurs.

6 “(iii) ELIGIBLE RETIREMENT PLAN.—

7 The term ‘eligible retirement plan’ shall
8 have the meaning given such term by sec-
9 tion 402(c)(8)(B).

10 “(F) SPECIAL RULES.—

11 “(i) EXEMPTION OF DISTRIBUTIONS
12 FROM TRUSTEE TO TRUSTEE TRANSFER
13 AND WITHHOLDING RULES.—For purposes
14 of sections 401(a)(31), 402(f), and 3405,
15 qualified 2012 or 2013 disaster recovery
16 distributions shall not be treated as eligible
17 rollover distributions.

18 “(ii) QUALIFIED 2012 OR 2013 DIS-
19 ASTER RECOVERY DISTRIBUTIONS TREAT-
20 ED AS MEETING PLAN DISTRIBUTION RE-
21 QUIREMENTS.—For purposes of this title,
22 a qualified 2012 or 2013 disaster recovery
23 distribution shall be treated as meeting the
24 requirements of sections 401(k)(2)(B)(i),

1 403(b)(7)(A)(ii), 403(b)(11), and
2 457(d)(1)(A).”.

3 (3) EFFECTIVE DATE.—The amendments made
4 by this subsection shall apply to distributions with
5 respect to disaster declared after December 31,
6 2011.

7 (b) LOANS FROM QUALIFIED PLANS.—

8 (1) IN GENERAL.—Subsection (p) of section 72
9 of the Internal Revenue Code of 1986 is amended by
10 adding at the end the following new paragraph:

11 “(6) INCREASE IN LIMIT ON LOANS NOT TREAT-
12 ED AS DISTRIBUTIONS WITH RESPECT TO 2012 AND
13 2013 DISASTERS.—

14 “(A) IN GENERAL.—In the case of any
15 loan from a qualified employer plan to a quali-
16 fied individual made during the applicable pe-
17 riod—

18 “(i) clause (i) of paragraph (2)(A)
19 shall be applied by substituting ‘\$100,000’
20 for ‘\$50,000’, and

21 “(ii) clause (ii) of such paragraph
22 shall be applied by substituting ‘the
23 present value of the nonforfeitable accrued
24 benefit of the employee under the plan’ for
25 ‘one-half of the present value of the non-

1 forfeitable accrued benefit of the employee
2 under the plan’.

3 “(B) DELAY OF REPAYMENT.—In the case
4 of a qualified individual with an outstanding
5 loan on or after the applicable disaster date
6 from a qualified employer plan—

7 “(i) if the due date pursuant to sub-
8 paragraph (B) or (C) of paragraph (2) for
9 any repayment with respect to such loan
10 occurs during the period beginning on the
11 applicable disaster date and ending on De-
12 cember 31, 2013, such due date shall be
13 delayed for 1 year,

14 “(ii) any subsequent repayments with
15 respect to any such loan shall be appro-
16 priately adjusted to reflect the delay in the
17 due date under clause (i) and any interest
18 accruing during such delay, and

19 “(iii) in determining the 5-year period
20 and the term of a loan under subpara-
21 graph (B) or (C) of paragraph (2), the pe-
22 riod described in clause (i) shall be dis-
23 regarded.

24 “(C) DEFINITIONS.—For purposes of this
25 paragraph—

1 “(i) QUALIFIED INDIVIDUAL.—The
2 term ‘qualified individual’ means, with re-
3 spect to any federally declared disaster oc-
4 ccurring during 2012 or 2013, an individual
5 whose principal place of abode on the ap-
6 plicable disaster date is located in the dis-
7 aster area and who has sustained an eco-
8 nomic loss by reason of such federally de-
9 clared disaster.

10 “(ii) APPLICABLE PERIOD.—The ap-
11 plicable period is the period beginning on
12 the applicable disaster date and ending on
13 December 31, 2013.

14 “(iii) FEDERALLY DECLARED DIS-
15 ASTER; DISASTER AREA.—The terms ‘fed-
16 erally declared disaster’ and ‘disaster area’
17 have the meanings given such terms under
18 section 165(h)(3)(C).

19 “(iv) APPLICABLE DISASTER DATE.—
20 The term ‘applicable disaster date’ means,
21 with respect to any federally declared dis-
22 aster, the date on which such federally de-
23 clared disaster occurs.”.

1 (2) EFFECTIVE DATE.—The amendment made
2 by this subsection shall apply to loans made with re-
3 spect to disaster declared after December 31, 2011.

4 (c) PROVISIONS RELATING TO PLAN AMEND-
5 MENTS.—

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

11 (2) AMENDMENTS TO WHICH SUBSECTION AP-
12 PLIES.—

13 (A) IN GENERAL.—This subsection shall
14 apply to any amendment to any plan or annuity
15 contract which is made—

16 (i) pursuant to any provision of, or
17 amendment made by, this section, or pur-
18 suant to any regulation issued by the Sec-
19 retary or the Secretary of Labor under any
20 provision of, or amendment made by, this
21 section, and

22 (ii) on or before the last day of the
23 first plan year beginning on or after Janu-
24 ary 1, 2014, or such later date as the Sec-
25 retary may prescribe.

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

5 (B) CONDITIONS.—This subsection shall
6 not apply to any amendment unless—

7 (i) during the period—

8 (I) beginning on the date that
9 the provisions of, and amendments
10 made by, this section or the regulation
11 described in subparagraph (A)(i)
12 takes effect (or in the case of a plan
13 or contract amendment not required
14 by the provisions of, or amendments
15 made by, this section or such regula-
16 tion, the effective date specified by the
17 plan), and

18 (II) ending on the date described
19 in subparagraph (A)(ii) (or, if earlier,
20 the date the plan or contract amend-
21 ment is adopted),

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

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

1 SEC. 109. ADDITIONAL EXEMPTION FOR HOUSING QUALI-
2 FIED DISASTER DISPLACED INDIVIDUALS.

3 (a) IN GENERAL.—Section 151 of the Internal Rev-
4 enue Code of 1986 is amended by adding at the end the
5 following new subsection:

6 “(g) ADDITIONAL EXEMPTION FOR CERTAIN DIS-
7 ASTER-DISPLACED INDIVIDUALS.—

8 “(1) IN GENERAL.—In the case of any taxable
9 year beginning in 2012 or 2013, there shall be al-
10 lowed an exemption of \$500 for each qualified dis-
11 aster-displaced individual with respect to the tax-
12 payer for the taxable year.

13 “(2) LIMITATIONS.—

14 “(A) DOLLAR LIMITATION.—The exemp-
15 tion under paragraph (1) shall not exceed
16 \$2,000, reduced by the amount of the exemp-
17 tion under this subsection for all prior taxable
18 years.

19 “(B) INDIVIDUALS TAKEN INTO ACCOUNT
20 ONLY ONCE.—An individual shall not be taken
21 into account under paragraph (1) if such indi-
22 vidual was taken into account under this sub-
23 section by the taxpayer for any prior taxable
24 year.

25 “(C) IDENTIFYING INFORMATION RE-
26 QUIRED.—An individual shall not be taken into

1 account under paragraph (1) for a taxable year
2 unless the taxpayer identification number of
3 such individual is included on the return of the
4 taxpayer for such taxable year.

5 “(3) QUALIFIED DISASTER-DISPLACED INDI-
6 VIDUAL.—

7 “(A) IN GENERAL.—For purposes of this
8 subsection, the term ‘qualified disaster-dis-
9 placed individual’ means, with respect to any
10 taxpayer for any taxable year, any qualified in-
11 dividual if such individual is provided housing
12 free of charge by the taxpayer in the principal
13 residence of the taxpayer for a period of 60
14 consecutive days which ends in such taxable
15 year. Such term shall not include the spouse or
16 any dependent of the taxpayer.

17 “(B) QUALIFIED INDIVIDUAL.—The term
18 ‘qualified individual’ means any individual
19 who—

20 “(i) who on the date of a federally de-
21 clared disaster occurring during 2012 or
22 2013 maintained such individual’s prin-
23 cipal place of abode in the disaster area
24 declared with respect to such disaster, and

1 “(ii) was displaced from such prin-
2 cipal place of abode by reason of the feder-
3 ally declared disaster.

4 For purposes of the preceding sentence, the
5 terms ‘federally declared disaster’ and ‘disaster
6 area’ have the meanings given such terms in
7 section 165(h)(3).

8 “(4) COMPENSATION FOR HOUSING.—No de-
9 duction shall be allowed under this subsection if the
10 taxpayer receives any rent or other amount (from
11 any source) in connection with the providing of such
12 housing.”.

13 (b) EFFECTIVE DATE.—The amendment made by
14 this section shall apply to taxable years beginning after
15 December 31, 2011.

16 **SEC. 110. EXCLUSIONS OF CERTAIN CANCELLATIONS OF IN-**
17 **DEBTEDNESS BY REASON OF 2012 OR 2013**
18 **DISASTERS.**

19 (a) IN GENERAL.—Section 108 of the Internal Rev-
20 enue Code of 1986 is amended by adding at the end the
21 following new subsection:

22 “(j) DISCHARGE OF INDEBTEDNESS FOR INDIVID-
23 UALS AFFECTED BY 2012 AND 2013 DISASTERS.—

24 “(1) IN GENERAL.—Except as provided in para-
25 graph (2), gross income shall not include any

1 amount which (but for this subsection) would be in-
2 cludible in gross income by reason of any discharge
3 (in whole or in part) of indebtedness of a natural
4 person described in paragraph (3) by an applicable
5 entity (as defined in section 6050P(c)(1)) during the
6 applicable period.

7 “(2) EXCEPTIONS FOR BUSINESS INDEBTED-
8 NESS.—Paragraph (1) shall not apply to any indebt-
9 edness incurred in connection with a trade or busi-
10 ness.

11 “(3) PERSONS DESCRIBED.—A natural person
12 is described in this paragraph if the principal place
13 of abode of such person on the applicable disaster
14 date was located in the disaster area with respect to
15 any federally declared disaster occurring during
16 2012 or 2013.

17 “(4) APPLICABLE PERIOD.—For purposes of
18 this subsection, the term ‘applicable period’ means
19 the period beginning on the applicable disaster date
20 and ending on the date which is 14 months after
21 such date.

22 “(5) OTHER DEFINITIONS.—For purposes of
23 this subsection—

24 “(A) FEDERALLY DECLARED DISASTER;
25 DISASTER AREA.—The terms ‘federally declared

1 disaster' and 'disaster area' have the meanings
2 given such terms under section 165(h)(3)(C).

3 “(B) APPLICABLE DISASTER DATE.—The
4 term 'applicable disaster date' means, with re-
5 spect to any federally declared disaster, the
6 date on which such federally declared disaster
7 occurs.”.

8 (b) EFFECTIVE DATE.—This section shall apply to
9 discharges made on or after December 31, 2011.

10 **SEC. 111. SPECIAL RULE FOR DETERMINING EARNED IN-**
11 **COME OF INDIVIDUALS AFFECTED BY FEDER-**
12 **ALLY DECLARED DISASTERS.**

13 (a) IN GENERAL.—Section 32 of the Internal Rev-
14 enue Code of 1986 is amended by adding at the end the
15 following new subsection:

16 “(n) SPECIAL RULE FOR DETERMINING EARNED IN-
17 COME OF TAXPAYERS AFFECTED BY FEDERALLY DE-
18 CLARED DISASTERS.—

19 “(1) IN GENERAL.—In the case of a qualified
20 individual with respect to any federally declared dis-
21 aster occurring during 2012 or 2013, if the earned
22 income of the taxpayer for the taxable year which in-
23 cludes the applicable disaster date is less than the
24 earned income of the taxpayer for the preceding tax-
25 able year, the credit allowed under this section and

1 section 24(d) may, at the election of the taxpayer,
2 be determined by substituting—

3 “(A) such earned income for the preceding
4 taxable year, for

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

7 “(2) QUALIFIED INDIVIDUAL.—For purposes of
8 this subsection, the term ‘qualified individual’
9 means, with respect to any federally declared dis-
10 aster occurring during 2012 or 2013, any individual
11 whose principal place of abode on the applicable dis-
12 aster date, was located—

13 “(A) in any portion of a disaster area de-
14 termined by the President to warrant individual
15 or individual and public assistance under the
16 Robert T. Stafford Disaster Relief and Emer-
17 gency Assistance Act by reason of the federally
18 declared disaster, or

19 “(B) in any portion of the disaster area
20 not described in subparagraph (A) and such in-
21 dividual was displaced from such principal place
22 of abode by reason of the federally declared dis-
23 aster.

24 “(3) OTHER DEFINITIONS.—For purposes of
25 this paragraph—

1 “(A) FEDERALLY DECLARED DISASTER;
2 DISASTER AREA.—The terms ‘federally declared
3 disaster’ and ‘disaster area’ have the meanings
4 given such terms under section 165(h)(3)(C).

5 “(B) APPLICABLE DISASTER DATE.—The
6 term ‘applicable disaster date’ means, with re-
7 spect to any federally declared disaster, the
8 date on which such federally declared disaster
9 occurs.

10 “(4) SPECIAL RULES.—

11 “(A) APPLICATION TO JOINT RETURNS.—
12 For purposes of paragraph (1), in the case of
13 a joint return for a taxable year which includes
14 the disaster date—

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

17 “(ii) the earned income of the tax-
18 payer for the preceding taxable year shall
19 be the sum of the earned income of each
20 spouse for such preceding taxable year.

21 “(B) UNIFORM APPLICATION OF ELEC-
22 TION.—Any election made under paragraph (1)
23 shall apply with respect to both sections 24(d)
24 and this section.

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

6 “(D) NO EFFECT ON DETERMINATION OF
7 GROSS INCOME, ETC.—Except as otherwise pro-
8 vided in this subsection, this title shall be ap-
9 plied without regard to any substitution under
10 paragraph (1).”.

11 (b) CHILD TAX CREDIT.—Section 24(d) of the Inter-
12 nal Revenue Code of 1986 is amended by adding at the
13 end the following new paragraph:

14 “(5) SPECIAL RULE FOR DETERMINING
15 EARNED INCOME OF TAXPAYERS AFFECTED BY FED-
16 ERALLY DECLARED DISASTERS.—For election by
17 qualified individuals with respect to certain federally
18 declared disasters to substitute earned income from
19 the preceding taxable year, see section 32(n).”.

20 (c) EFFECTIVE DATE.—The amendments made by
21 this section shall apply to taxable years beginning after
22 December 31, 2011.

1 SEC. 112. INCREASE IN REHABILITATION CREDIT FOR
2 BUILDINGS IN 2012 AND 2013 DISASTER
3 AREAS.

4 (a) IN GENERAL.—Section 47 of the Internal Rev-
5 enue Code of 1986 is amended by adding at the end the
6 following new subsection:

7 “(e) SPECIAL RULE FOR EXPENDITURES MADE IN
8 CONNECTION WITH CERTAIN DISASTERS.—

9 “(1) IN GENERAL.—In the case of qualified re-
10 habilitation expenditures paid or incurred during the
11 applicable period with respect to any qualified reha-
12 bilitated building or certified historic structure lo-
13 cated in a disaster area with respect to any federally
14 declared disaster occurring in 2012 or 2013, sub-
15 section (a) shall be applied—

16 “(A) by substituting ‘13 percent’ for ‘10
17 percent’ in paragraph (1) thereof, and

18 “(B) by substituting ‘26 percent’ for ‘20
19 percent’ in paragraph (2) thereof.

20 “(2) DEFINITIONS.—For purposes of this sub-
21 section—

22 “(A) FEDERALLY DECLARED DISASTER;
23 DISASTER AREA.—The terms ‘federally declared
24 disaster’ and ‘disaster area’ have the meanings
25 given such terms under section 165(h)(3)(C).

1 ary 1, 2017, shall be allowed under the rules of
2 this subsection if—

3 “(i) the Governor of the State des-
4 ignates the advance refunding bond for
5 purposes of this subsection, and

6 “(ii) the requirements of subpara-
7 graph (E) are met.

8 “(B) CERTAIN PRIVATE ACTIVITY
9 BONDS.—With respect to a bond described in
10 subparagraph (C) which is an exempt facility
11 bond described in paragraph (1) or (2) of sec-
12 tion 142(a), one advance refunding after the
13 date of the enactment of this paragraph and be-
14 fore January 1, 2017, shall be allowed under
15 the applicable rules of this subsection (notwith-
16 standing paragraph (2) thereof) if the require-
17 ments of clauses (i) and (ii) of subparagraph
18 (A) are met.

19 “(C) BONDS DESCRIBED.—A bond is de-
20 scribed in this paragraph if, with respect to any
21 federally declared disaster, such bond—

22 “(i) was outstanding on the applicable
23 disaster date, and

24 “(ii) is issued by an applicable State
25 or a political subdivision thereof.

1 “(D) AGGREGATE LIMIT.—The maximum
2 aggregate face amount of bonds which may be
3 designated under this subsection by the Gov-
4 ernor of a State shall not exceed
5 \$4,500,000,000.

6 “(E) ADDITIONAL REQUIREMENTS.—The
7 requirements of this subparagraph are met with
8 respect to any advance refunding of a bond de-
9 scribed in subparagraph (C) if—

10 “(i) no advance refundings of such
11 bond would be allowed under this title on
12 or after the applicable disaster date,

13 “(ii) the advance refunding bond is
14 the only other outstanding bond with re-
15 spect to the refunded bond, and

16 “(iii) the requirements of section 148
17 are met with respect to all bonds issued
18 under this paragraph.

19 “(F) DEFINITIONS.—For purposes of this
20 subsection—

21 “(i) FEDERALLY DECLARED DIS-
22 ASTER; DISASTER AREA.—The terms ‘fed-
23 erally declared disaster’ and ‘disaster area’
24 have the meanings given such terms under
25 section 165(h)(3)(C).

1 “(ii) APPLICABLE DISASTER DATE.—

2 The term ‘applicable disaster date’ means,
3 with respect to any federally declared dis-
4 aster, the date on which such federally de-
5 clared disaster occurs.

6 “(iii) APPLICABLE STATE.—The term
7 ‘applicable State’ means, with respect to
8 any federally declared disaster, any State
9 in which a portion of the disaster area is
10 located.”.

11 **SEC. 114. QUALIFIED DISASTER AREA RECOVERY BONDS.**

12 (a) **IN GENERAL.**—Subpart A of part IV of sub-
13 chapter B of chapter 1 of the Internal Revenue Code of
14 1986 is amended by inserting after section 146 the fol-
15 lowing new section:

16 **“SEC. 146A. QUALIFIED DISASTER AREA RECOVERY BONDS.**

17 “(a) **IN GENERAL.**—For purposes of this title, any
18 qualified disaster area recovery bond shall—

19 “(1) be treated as an exempt facility bond, and

20 “(2) not be subject to section 146.

21 “(b) **QUALIFIED DISASTER AREA RECOVERY**
22 **BOND.**—For purposes of this section, the term ‘qualified
23 disaster area recovery bond’ means any bond issued as
24 part of an issue if—

1 “(1) 95 percent or more of the net proceeds of
2 such issue are to be used for qualified project costs,

3 “(2) such bond is issued by a State or any po-
4 litical subdivision thereof any part of which is in a
5 qualified disaster area,

6 “(3) the Governor of the issuing State des-
7 ignates such bond for purposes of this section, and

8 “(4) such bond is issued after the date of the
9 enactment of this section and before January 1,
10 2016.

11 “(c) LIMITATION ON AMOUNT OF BONDS.—

12 “(1) IN GENERAL.—The maximum aggregate
13 face amount of bonds which may be designated
14 under this section by any State shall not exceed
15 \$10,000,000,000.

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

19 “(3) TREATMENT OF CURRENT REFUNDING
20 BONDS.—Paragraph (1) shall not apply to any bond
21 (or series of bonds) issued to refund a qualified dis-
22 aster area recovery bond, if—

23 “(A) the average maturity date of the issue
24 of which the refunding bond is a part is not

1 later than the average maturity date of the
2 bonds to be refunded by such issue,

3 “(B) the amount of the refunding bond
4 does not exceed the outstanding amount of the
5 refunded bond, and

6 “(C) the net proceeds of the refunding
7 bond are used to redeem the refunded bond not
8 later than 90 days after the date of the
9 issuance of the refunding bond.

10 For purposes of subparagraph (A), average maturity
11 shall be determined in accordance with section
12 147(b)(2)(A).

13 “(d) QUALIFIED PROJECT COSTS.—For purposes of
14 this section, the term ‘qualified project costs’ means the
15 cost of acquisition, construction, reconstruction, and ren-
16 ovation of—

17 “(1) residential rental property (as defined in
18 section 142(d)),

19 “(2) nonresidential real property (including
20 fixed improvements associated with such property),

21 “(3) a facility described in paragraph (2) or (3)
22 of section 142(a), or

23 “(4) public utility property (as defined in sec-
24 tion 168(i)(10)),

1 which is located in a qualified disaster area and was dam-
2 aged or destroyed by reason of the a federally declared
3 disaster.

4 “(e) SPECIAL RULES.—In applying this title to any
5 qualified disaster area recovery bond, the following modi-
6 fications shall apply:

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

11 “(2) Section 148(f)(4)(C) (relating to exception
12 from rebate for certain proceeds to be used to fi-
13 nance construction expenditures) shall apply to the
14 available construction proceeds of bonds issued
15 under this section. For purposes of the preceding
16 sentence, the following spending requirements shall
17 apply in lieu of the requirements in clause (ii) of
18 such section:

19 “(A) 40 percent of such available construc-
20 tion proceeds are spent for the governmental
21 purposes of the issue within the 2-year period
22 beginning on the date the bonds are issued,

23 “(B) 60 percent of such proceeds are spent
24 for such purposes within the 3-year period be-
25 ginning on such date,

1 “(C) 80 percent of such proceeds are spent
2 for such purposes within the 4-year period be-
3 ginning on such date, and

4 “(D) 100 percent of such proceeds are
5 spent for such purposes within the 5-year pe-
6 riod beginning on such date.

7 “(3) Repayments of principal on financing pro-
8 vided by the issue—

9 “(A) may not be used to provide financing,
10 and

11 “(B) must be used not later than the close
12 of the 1st semiannual period beginning after
13 the date of the repayment to redeem bonds
14 which are part of such issue.

15 The requirement of subparagraph (B) shall be treat-
16 ed as met with respect to amounts received within
17 5 years after the date of issuance of the issue (or,
18 in the case of a refunding bond, the date of issuance
19 of the original bond) if such amounts are used by
20 the close of such 5 years to redeem bonds which are
21 part of such issue.

22 “(4) Section 57(a)(5) shall not apply.

23 “(f) SEPARATE ISSUE TREATMENT OF PORTIONS OF
24 AN ISSUE.—This section shall not apply to the portion of
25 an issue which (if issued as a separate issue) would be

1 treated as a qualified bond or as a bond that is not a
2 private activity bond (determined without regard to para-
3 graph (1)), if the issuer elects to so treat such portion.

4 “(g) QUALIFIED DISASTER AREA; FEDERALLY DE-
5 CLARED DISASTER.—

6 “(1) QUALIFIED DISASTER AREA.—The term
7 ‘qualified disaster area’ means any area determined
8 to warrant individual or individual and public assist-
9 ance from the Federal Government under the Robert
10 T. Stafford Disaster Relief and Emergency Assist-
11 ance Act by reason of a federally declared disaster
12 occurring during the period beginning after Decem-
13 ber 31, 2011, and before January 1, 2014.

14 “(2) FEDERALLY DECLARED DISASTER.—The
15 term ‘federally declared disaster’ has the meaning
16 given to such term under section 165(h)(3)(C).”.

17 (b) CLERICAL AMENDMENT.—The table of sections
18 for subpart A of part IV of subchapter B of chapter 1
19 of such Code is amended by inserting after the item relat-
20 ing to section 146 the following new item:

“Sec. 146A. Qualified disaster area recovery bonds.”.

21 (c) EFFECTIVE DATE.—The amendments made by
22 this section shall apply to obligations issued after the date
23 of the enactment of this Act.

1 SEC. 115. ADDITIONAL LOW-INCOME HOUSING CREDIT AL-
2 LOCATIONS.

3 (a) IN GENERAL.—Paragraph (3) of section 42(h) of
4 the Internal Revenue Code of 1986 (relating to limitation
5 on aggregate credit allowable with respect to projects lo-
6 cated in a State) is amended by adding at the end the
7 following new subparagraph:

8 “(J) INCREASE IN STATE HOUSING CREDIT
9 FOR STATES DAMAGED BY NATURAL DISAS-
10 TERS.—

11 “(i) IN GENERAL.—In the case of cal-
12 endar year 2014, the State housing credit
13 ceiling of each State any portion of which
14 includes any portion of a qualifying dis-
15 aster area shall be increased by so much of
16 the aggregate housing credit dollar amount
17 as does not exceed the applicable limitation
18 allocated by the State housing credit agen-
19 cy of such State for such calendar year to
20 buildings located in qualifying disaster
21 areas.

22 “(ii) APPLICABLE LIMITATION.—For
23 purposes of clause (i), the applicable limi-
24 tation is the greater of—

1 “(I) \$8 multiplied by the popu-
2 lation of the qualifying disaster areas
3 in such State, or

4 “(II) 50 percent of the State
5 housing credit ceiling (determined
6 without regard to this subparagraph)
7 for 2013.

8 “(iii) APPLICABLE PERCENTAGE.—
9 For purposes of this section, the applicable
10 percentage with respect to any building to
11 which amounts allocated under clause (i)
12 shall be determined under subsection
13 (b)(2), except that subparagraph (A)
14 thereof shall be applied by substituting
15 ‘January 1, 2015’ for ‘January 1, 2014’.

16 “(iv) ALLOCATIONS TREATED AS
17 MADE FIRST FROM ADDITIONAL ALLOCA-
18 TION AMOUNT FOR PURPOSES OF DETER-
19 MINING CARRYOVER.—For purposes of de-
20 termining the unused State housing credit
21 ceiling under subparagraph (C) for any
22 calendar year, any increase in the State
23 housing credit ceiling under clause (i) shall
24 be treated as an amount described in
25 clause (ii) of such subparagraph.

1 “(v) QUALIFYING DISASTER AREA.—

2 For purposes of this subparagraph, the
3 term ‘qualifying federally declared disaster
4 area’ means—

5 “(I) each county which is deter-
6 mined to warrant individual or indi-
7 vidual and public assistance from the
8 Federal Government under a quali-
9 fying natural disaster declaration de-
10 scribed in clause (vi)(I), and

11 “(II) each county not described
12 in subclause (I) which is included in
13 the geographical area covered by a
14 qualifying natural disaster declaration
15 described in subclause (II) or (III) of
16 clause (vi).

17 “(vi) QUALIFYING NATURAL DISASTER
18 DECLARATION.—For purposes of clause
19 (v), the term ‘qualifying natural disaster
20 declaration’ means—

21 “(I) a federally declared disaster
22 (as defined in section 165(h)(3)(C))
23 occurring during the period beginning
24 after December 31, 2011, and before
25 January 1, 2014,

1 “(II) a natural disaster declared
2 by the Secretary of Agriculture in
3 2011 due to damaging weather and
4 other conditions relating to Hurricane
5 Irene or Tropical Storm Lee under
6 section 321(a) of the Consolidated
7 Farm and Rural Development Act (7
8 U.S.C. 1961(a)), or

9 “(III) a major disaster or emer-
10 gency designated by the President in
11 2011 due to damaging weather and
12 other conditions relating to Hurricane
13 Irene or Tropical Storm Lee under
14 the Robert T. Stafford Disaster Relief
15 and Emergency Assistance Act (42
16 U.S.C. 5121 et seq.).”.

17 (b) EFFECTIVE DATE.—The amendment made by
18 this section shall take effect on the date of the enactment
19 of this Act.

20 **SEC. 116. FACILITATION OF TRANSFER OF WATER LEASING**
21 **AND WATER BY MUTUAL DITCH OR IRRIGA-**
22 **TION COMPANIES IN DISASTER AREAS.**

23 (a) IN GENERAL.—Paragraph (12) of section 501(c)
24 of the Internal Revenue Code of 1986 is amended by add-
25 ing at the end the following new subparagraph:

1 “(I) TREATMENT OF MUTUAL DITCH OR
2 IRRIGATION COMPANIES IN CERTAIN DISASTER
3 AREAS.—

4 “(i) IN GENERAL.—In the case of a
5 qualified mutual ditch or irrigation com-
6 pany or like organization, subparagraph
7 (A) shall be applied without taking into ac-
8 count any income received or accrued dur-
9 ing the applicable period—

10 “(I) from the sale, lease, or ex-
11 change of fee or other interests in real
12 property, including interests in water,

13 “(II) from the sale or exchange
14 of stock in a mutual ditch or irriga-
15 tion company or like organization or
16 contract rights for the delivery or use
17 of water,

18 “(III) from the investment of
19 proceeds from sales, leases, or ex-
20 changes under subclauses (I) and (II),
21 or

22 “(IV) from the United States, or
23 a State or local government, resulting
24 from the federally declared disaster.

1 except that any income received under sub-
2 clause (I), (II), (III), or (IV) which is dis-
3 tributed or expended for expenses (other
4 than for operations, maintenance, and cap-
5 ital improvements) of the qualified mutual
6 ditch or irrigation company or like organi-
7 zation shall be treated as nonmember in-
8 come in the year in which it is distributed
9 or expended.

10 “(ii) QUALIFIED MUTUAL DITCH OR
11 IRRIGATION COMPANY OR LIKE ORGANIZA-
12 TION.—For purposes of this paragraph—

13 “(I) IN GENERAL.—The term
14 ‘qualified mutual ditch or irrigation
15 company or like organization’ means
16 any mutual ditch or irrigation com-
17 pany or like organization that di-
18 verted, delivered, transported, stored,
19 or used its water for agricultural irri-
20 gation purposes on its own or through
21 its shareholders in a qualified disaster
22 area during 2012 or 2013.

23 “(II) QUALIFIED ASSET.—The
24 term ‘qualified asset’ means any real
25 property or tangible personal property

1 used in the mutual ditch or irrigation
2 company's (or like organization's) sys-
3 tem.

4 “(III) MULTIPLE AREAS.—Under
5 regulations, if the qualified assets of
6 any mutual ditch or irrigation com-
7 pany or like organization are located
8 in more than 1 qualified disaster area,
9 all such areas shall be treated as 1
10 area and if more than 1 federally de-
11 clared disaster is involved, the date on
12 which the last of such disasters oc-
13 curred shall be the date used for pur-
14 poses of this paragraph.

15 “(iii) APPLICABLE PERIOD.—For pur-
16 poses of this paragraph, the term ‘applica-
17 ble period’ means the taxable year in which
18 the federally declared disaster occurred
19 and the 5 following taxable years.

20 “(iv) OTHER DEFINITIONS.—

21 “(I) QUALIFIED DISASTER
22 AREA.—The term ‘qualified disaster
23 area’ means any area determined to
24 warrant individual or individual and
25 public assistance from the Federal

1 Government under the Robert T.
2 Stafford Disaster Relief and Emer-
3 gency Assistance Act by reason of a
4 federally declared disaster occurring
5 during the period beginning on Janu-
6 ary 1, 2012, and ending on December
7 31, 2013.

8 “(II) FEDERALLY DECLARED
9 DISASTER.—The term ‘federally de-
10 clared disaster’ has the meaning given
11 to such term under section
12 165(h)(3)(C).”.

13 (b) EFFECTIVE DATE.—The amendment made by
14 subsection (a) shall apply to taxable years ending after
15 December 31, 2011.

16 **TITLE II—OTHER DISASTER TAX** 17 **RELIEF PROVISIONS**

18 **SEC. 201. EXCLUSION FOR DISASTER MITIGATION PAY-** 19 **MENTS RECEIVED FROM STATE AND LOCAL** 20 **GOVERNMENTS.**

21 (a) IN GENERAL.—Paragraph (2) of section 139(g)
22 of the Internal Revenue Code of 1986 is amended by in-
23 serting “, or any other amount which is paid by a State
24 or local government or agency or instrumentality thereof,”
25 after “(as in effect on such date)”.

1 (b) EFFECTIVE DATE.—The amendment made by
2 this section shall apply to payments received after the date
3 of the enactment of this Act.

4 **SEC. 202. NATURAL DISASTER FUNDS.**

5 (a) NATURAL DISASTER FUND.—Subpart C of part
6 II of subchapter E of chapter 1 of the Internal Revenue
7 Code of 1986 is amended by inserting after section 468B
8 the following new section:

9 **“SEC. 468C. SPECIAL RULES FOR NATURAL DISASTER**
10 **FUNDS.**

11 “(a) IN GENERAL.—If a qualified taxpayer elects the
12 application of this section, there shall be allowed as a de-
13 duction for any taxable year the amount of payments
14 made by the taxpayer to a natural disaster fund during
15 such taxable year.

16 “(b) NATURAL DISASTER FUND.—The term ‘natural
17 disaster fund’ means a fund meeting the following require-
18 ments:

19 “(1) DESIGNATION.—The taxpayer des-
20 ignates—

21 “(A) the fund as a natural disaster fund in
22 the manner prescribed by the Secretary, and

23 “(B) the line or lines of business to which
24 the fund applies.

1 “(2) SEGREGATION.—The assets of the fund
2 are segregated from other assets of the taxpayer.

3 “(3) INVESTMENTS.—

4 “(A) The assets of the fund are main-
5 tained in one or more qualified accounts and
6 are invested only in—

7 “(i) deposits with banks whose depos-
8 its are insured subject to applicable limits
9 by the Federal Deposit Insurance Corpora-
10 tion, or

11 “(ii) in stock or other securities in
12 which the fund would be permitted to in-
13 vest if it were a capital construction fund
14 subject to the investment limitations of
15 paragraphs (2) and (3) of section
16 7518(b)(2).

17 “(B) All investment earnings (including
18 gains and losses) from investments of the fund
19 become part of the fund.

20 “(4) CONTRIBUTIONS TO THE FUND.—The
21 fund does not accept any deposits (or other
22 amounts) other than cash payments with respect to
23 which a deduction is allowable under subsection (a)
24 and earnings (including gains and losses) from fund
25 investments.

1 “(5) PURPOSE.—The fund is established and
2 maintained for the purposes of covering costs, ex-
3 penses, and losses (including business interruption
4 losses) resulting from a Federally declared natural
5 disaster to the extent such costs are not covered by
6 insurance.

7 “(6) MAXIMUM BALANCE.—The balance of the
8 fund does not exceed the lesser of—

9 “(A) the sum of—

10 “(i) 150 percent of the maximum de-
11 ductible, and

12 “(ii) 100 percent of the maximum co-
13 insurance (to the extent not taken into ac-
14 count in clause (i)),

15 that, in the case of a Federally declared natural
16 disaster resulting in losses, the taxpayer could
17 be expected to pay with respect to property and
18 business interruption insurance maintained by
19 the taxpayer for the line of business to which
20 the fund applies and that would cover losses re-
21 sulting from a Federally declared natural dis-
22 aster, and

23 “(B) the maximum loss under any insur-
24 ance coverage that the taxpayer could reason-

1 ably expect to occur for the line of business in
2 the case of a severe natural disaster.

3 “(7) FINANCIAL STATEMENTS.—The fund or
4 the balance of the fund is recorded in the taxpayer’s
5 financial statements in accordance with generally ac-
6 cepted accounting principles and not as a current
7 asset and the footnotes to the taxpayer’s financial
8 statements include a short description of the fund
9 and its purposes.

10 “(8) INSURANCE.—The taxpayer property in-
11 surance maintained by the qualified taxpayer applies
12 to 75 percent or more of the property used—

13 “(A) in the qualified taxpayer’s line of
14 business to which the fund relates, and

15 “(B) in the United States.

16 “(c) QUALIFIED TAXPAYER.—For purposes of this
17 section, the term ‘qualified taxpayer’ means any taxpayer
18 that—

19 “(1) actively conducts a trade or business, and

20 “(2) maintains property insurance with respect
21 to such trade or business that insures against losses
22 in natural disasters.

23 “(d) FAILURE TO MEET REQUIREMENTS.—If a fund
24 that was a natural disaster fund ceases to meet any of
25 the requirements of subsection (b) or a taxpayer who has

1 a natural disaster fund ceases to meet the requirement
2 of subsection (c), the entire balance of the fund shall be
3 deemed distributed in a nonqualified distribution at the
4 time the fund ceases to meet such requirements.

5 “(e) TAXATION OF FUND.—

6 “(1) IN GENERAL.—The earnings (including
7 gains and losses) from the investment and reinvest-
8 ment of amounts held in the fund shall not be taken
9 into account in determining the gross income of the
10 taxpayer that owns the fund.

11 “(2) NOT A SEPARATE TAXPAYER.—A natural
12 disaster fund shall not be considered a separate tax-
13 payer for purposes of this subtitle.

14 “(f) TAXATION OF DISTRIBUTIONS FROM THE
15 FUND.—

16 “(1) QUALIFIED DISTRIBUTIONS.—For pur-
17 poses of this chapter, qualified distributions shall be
18 treated in the same manner as proceeds from prop-
19 erty or business interruption insurance.

20 “(2) NONQUALIFIED DISTRIBUTIONS.—

21 “(A) IN GENERAL.—In the case of any
22 taxable year for which there is a nonqualified
23 distribution—

1 “(i) such nonqualified distributions
2 shall be excluded from the gross income of
3 the taxpayer, and

4 “(ii) the tax imposed by this chapter
5 (determined without regard to this sub-
6 section) shall be increased by the product
7 of the amount of such nonqualified dis-
8 tribution and the highest rate of tax speci-
9 fied in section 1 (section 11 in the case of
10 a corporation).

11 “(B) TAX BENEFIT RULE; COORDINATION
12 WITH DEDUCTION FOR NET OPERATING
13 LOSSES.—Rules similar to the rules of subpara-
14 graphs (B) and (C) of section 7518(g)(6) shall
15 apply for purposes of this paragraph.

16 “(3) ADDITIONAL TAX.—The tax imposed by
17 this chapter for any taxable year on any taxpayer
18 that a owns natural disaster fund shall be increased
19 by the greater of—

20 “(A) 20 percent of the amount of any non-
21 qualified distributions from the fund in the tax-
22 able year, and

23 “(B) an amount equal to interest, at the
24 underpayment rate established under section
25 6621, on the nonqualified distribution from the

1 time the amount is added to the fund to the
2 time the amount is distributed.

3 “(4) INTEREST CALCULATION.—For purposes
4 of calculating interest under paragraph (3)(B)—

5 “(A) all investment earnings (including
6 gains or losses) in taxable year shall be treated
7 as added to the fund on the last day of the tax-
8 able year, and

9 “(B) amounts distributed from the fund
10 shall be treated as distributed on a first-in,
11 first-out basis.

12 “(g) DEFINITIONS.—For purposes of this section—

13 “(1) FEDERALLY DECLARED NATURAL DIS-
14 ASTER.—The term ‘Federally declared natural dis-
15 aster’ means a natural disaster that is determined
16 by Presidential declaration under the Robert T.
17 Stafford Disaster Relief and Emergency Assistance
18 Act to warrant individual or individual and public
19 assistance under such Act.

20 “(2) NONQUALIFIED DISTRIBUTION.—The term
21 ‘nonqualified distribution’ means a distribution from
22 a natural disaster fund other than a qualified dis-
23 tribution.

24 “(3) QUALIFIED ACCOUNT.—The term ‘quali-
25 fied account’ means an account with a bank (as de-

1 fined in section 581) or a brokerage account but
2 only if the investments of such accounts are limited
3 to those permitted by subsection (b)(3) and no in-
4 vestments are made in a related person (as defined
5 in section 465(b)(3)(C)) to the taxpayer.

6 “(4) QUALIFIED DISTRIBUTION.—

7 “(A) IN GENERAL.—The term ‘qualified
8 distribution’ means with respect to natural dis-
9 aster fund an amount equal to the excess of—

10 “(i) costs, expenses, and losses (in-
11 cluding losses of a type reimbursable by
12 proceeds of business interruption insur-
13 ance) incurred by the taxpayer as a result
14 of the Federally declared natural disaster
15 with respect to the line or lines of business
16 for which the fund was designated, over

17 “(ii) the proceeds of property and
18 business interruption insurance paid for
19 the benefit of the taxpayer with respect to
20 costs, expenses, and losses described in
21 clause (i).

22 “(B) LIMITATION.—A distribution from a
23 natural disaster fund shall not be treated as a
24 qualified distribution if such distribution is allo-
25 cated to a Federally declared natural disaster

1 occurring more than 3 years before the date of
2 such distribution.

3 “(h) SPECIAL RULES.—For purposes of this sec-
4 tion—

5 “(1) NO DOUBLE COUNTING.—Any portion of
6 any deductible or coinsurance taken into account
7 under subsection (b)(6) in determining the max-
8 imum balance for a natural disaster fund shall not
9 be taken into account in determining the maximum
10 balance for another natural disaster fund.

11 “(2) EXCESS BALANCE.—

12 “(A) IN GENERAL.—If the balance of a
13 natural disaster fund exceeds the maximum bal-
14 ance permitted by subsection (b)(6) by reason
15 of investment earnings or a reduction in the
16 maximum balance, the account shall not cease
17 to be a natural disaster fund as the result of
18 exceeding such limit if the excess is distributed
19 within 120 days of the date that such excess
20 first occurred.

21 “(B) TREATMENT OF DISTRIBUTIONS OF
22 EXCESS BALANCE.—In the case of any distribu-
23 tion of the excess balance of a natural disaster
24 fund within 120 days of the date that such ex-
25 cess first occurred—

1 “(i) paragraphs (2) and (3) of sub-
2 section (f) shall not apply to the distribu-
3 tion of such excess if distributed within
4 such period, and

5 “(ii) the amount of such distribution
6 shall be included in the gross income of the
7 taxpayer in the year such distribution was
8 made.

9 “(C) ANTI-ABUSE RULE.—Subparagraph
10 (B) shall not apply in the case of any reduction
11 in the maximum balance resulting from any ac-
12 tion of the taxpayer the primary purpose of
13 which was to reduce the maximum balance to
14 enable a distribution that would not be subject
15 to the maximum tax rate calculation or the ad-
16 ditional tax.

17 “(3) CERTAIN ASSET ACQUISITIONS.—The
18 transfer of a natural disaster fund (or the portion of
19 a natural disaster fund) from one person to another
20 person shall not constitute a nonqualified distribu-
21 tion if—

22 “(A) such transfer is part of a trans-
23 action—

24 “(i) to which section 381 applies,

1 “(ii) the transferee acquires substan-
2 tially all of the assets of the transferor
3 used in the line or lines of business for
4 which the fund was designated,

5 “(iii) the transferee acquires substan-
6 tially all of the assets of the transferor
7 used in one, but not all, of the lines of
8 business for which the fund was des-
9 ignated, or

10 “(iv) the transferee acquires substan-
11 tially all of the transferor’s assets located
12 in a geographical area and used in a line
13 of business for which the fund was des-
14 ignated, and

15 “(B) the transferee elects to treat the ac-
16 quired natural disaster fund (or portion there-
17 of) as a natural disaster fund for the line of
18 business for which the transferor had previously
19 designated the fund and as a continuation of
20 the fund (or pro rata portion thereof) for pur-
21 poses of determining the additional tax imposed
22 by subsection (f)(4).

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

1 (b) CLERICAL AMENDMENT.—The table of sections
2 for subpart C of part II of subchapter E of chapter 1 of
3 the Internal Revenue Code of 1986 is amended by insert-
4 ing after the item relating to section 468B the following
5 new item:

“Sec. 468C. Special rules for natural disaster funds.”.

6 (c) EFFECTIVE DATE.—The amendment made by
7 this section shall apply to taxable years beginning after
8 December 31, 2013.

Æ