

113TH CONGRESS  
2D SESSION

**S.**

To provide tax relief for major disaster areas declared in 2012, 2013, and 2014, and for other purposes.

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IN THE SENATE OF THE UNITED STATES

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Mr. PRYOR (for himself, Mr. VITTER, Mr. SCHUMER, 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

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## A BILL

To provide tax relief for major disaster areas declared in 2012, 2013, and 2014, 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, 2013,  
AND 2014

- 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, 2013, and 2014.
- Sec. 104. Net operating losses attributable to disasters in 2012, 2013, and 2014.
- Sec. 105. Waiver of certain mortgage revenue bond requirements following 2012, 2013, and 2014 disasters.
- Sec. 106. Increased expensing and bonus depreciation for qualified disaster assistance property following 2012, 2013, and 2014 disasters.
- Sec. 107. Increase in new markets tax credit for investments in community development entities serving 2012, 2013, and 2014 disaster areas.
- Sec. 108. Special rules for use of retirement funds in connection with federally declared disasters in 2012, 2013, or 2014.
- Sec. 109. Additional exemption for housing qualified disaster displaced individuals.
- Sec. 110. Exclusions of certain cancellations of indebtedness by reason of 2012, 2013, or 2014 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, 2013, and 2014 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, 2013,** 3 **AND 2014**

### 4 **SEC. 101. EXPENSING OF QUALIFIED DISASTER EXPENSES.**

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

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

1 December 31, 2011, and before January 1, 2015”,  
2 and

3 (2) by striking “before such date” each place it  
4 appears in subparagraphs (B) and (C) and inserting  
5 “during any such period”.

6 (b) EFFECTIVE DATE.—The amendment made by  
7 this section shall apply to amounts paid or incurred after  
8 December 31, 2011, in connection with disasters declared  
9 after such date.

10 **SEC. 102. INCREASED LIMITATION ON CHARITABLE CON-**  
11 **TRIBUTIONS FOR DISASTER RELIEF.**

12 (a) INDIVIDUALS.—Paragraph (1) of section 170(b)  
13 of the Internal Revenue Code of 1986 is amended by re-  
14 designating subparagraphs (F) and (G) as subparagraphs  
15 (G) and (H), respectively, and by inserting after subpara-  
16 graph (E) the following new subparagraph:

17 “(F) 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 80 per-  
23 cent of the taxpayer’s contribution base  
24 over the amount of all other charitable

1 contributions allowable under this para-  
2 graph.

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

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

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

24 “(I) such contribution is for re-  
25 lief efforts related to a federally de-

1           clared disaster (as defined in section  
2           165(h)(3)(C)(i)),

3           “‘(II) such contribution is made  
4           during the period beginning on the  
5           applicable disaster date with respect  
6           to the disaster described in subclause  
7           (I) and ending on December 31,  
8           2014, and

9           “‘(III) such contribution is made  
10          in cash to an organization described  
11          in subparagraph (A) (other than an  
12          organization described in section  
13          509(a)(3)).

14          Such term shall not include a contribution  
15          if the contribution is for establishment of  
16          a new, or maintenance in an existing,  
17          donor advised fund (as defined in section  
18          4966(d)(2)).

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

1 declaration described in section  
2 165(h)(3)(C)(i) occurred.

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

13 (b) CORPORATIONS.—

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

19 “(C) QUALIFIED DISASTER CONTRIBU-  
20 TIONS.—

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

1 the amount of charitable contributions al-  
2 lowed under subparagraph (A).

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

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

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

25 (2) CONFORMING AMENDMENTS.—

1 (A) Subparagraph (A) of section 170(b)(2)  
2 of such Code is amended by striking “subpara-  
3 graph (B) applies” and inserting “subpara-  
4 graphs (B) and (C) apply”.

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

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

12 **SEC. 103. LOSSES ATTRIBUTABLE TO DISASTERS IN 2012,**  
13 **2013, AND 2014.**

14 (a) WAIVER OF ADJUSTED GROSS INCOME LIMITA-  
15 TION; INCREASE IN STANDARD DEDUCTION BY DISASTER  
16 CASUALTY LOSS.—Subclause (I) of section  
17 165(h)(3)(B)(i) of the Internal Revenue Code of 1986 is  
18 amended by striking “before January 1, 2010” and insert-  
19 ing “during the period beginning after December 31,  
20 2007, and before January 1, 2010, or during the period  
21 beginning after December 31, 2011, and before January  
22 1, 2015”.

23 (b) LOSS ALLOWED WHETHER OR NOT INDIVIDUAL  
24 ITEMIZED DEDUCTIONS.—Section 62(a) of the Internal



1 Revenue Code of 1986 is amended by inserting after para-  
2 graph (21) the following new paragraph:

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

5           (c) TECHNICAL AMENDMENT.—Clause (i) of section  
6 165(h)(3)(C) of the Internal Revenue Code of 1986 is  
7 amended by inserting “major” after “means any”.

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

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

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

18                   (A) claims a deduction for any taxable year  
19 with respect to a casualty loss to a principal  
20 residence (within the meaning of section 121 of  
21 such Code) resulting from any federally de-  
22 clared disaster (as defined in section  
23 165(h)(3)(C) of such Code) occurring during  
24 the period beginning after December 31, 2011,  
25 and before January 1, 2015, 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, 2013, AND 2014.**

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, 2015”.

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, 2013, AND**  
16 **2014 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, 2015”.

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 DEPRECIA-**  
7 **TION FOR QUALIFIED DISASTER ASSISTANCE**  
8 **PROPERTY FOLLOWING 2012, 2013, AND 2014**  
9 **DISASTERS.**

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, 2015”.

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, 2013, AND 2014 DIS-  
4 ASTER 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 2013, AND 2014 DISASTER AREAS.—

11 “(A) IN GENERAL.—In the case of each  
12 calendar year which begins after 2012 and be-  
13 fore 2017, 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, 2013, or 2014 federally declared dis-  
19 aster 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 2012 ,  
2 2013, or 2014 federally declared disaster area  
3 or areas 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, 2013, OR 2014 FEDERALLY DE-  
9 CLARED DISASTER AREA.—For purposes of this  
10 paragraph, the term ‘2012, 2013, or 2014 fed-  
11 erally declared disaster area’ means any dis-  
12 aster area resulting from any federally declared  
13 disaster occurring after December 31, 2011,  
14 and before January 1, 2015. For purposes of  
15 the preceding sentence, the terms ‘federally de-  
16 clared disaster’ and ‘disaster area’ have the  
17 meanings given such terms in section  
18 165(h)(3).’”.

19 (b) EFFECTIVE DATE.—The amendments made by  
20 this section shall apply to calendar years beginning after  
21 2012.

1 **SEC. 108. SPECIAL RULES FOR USE OF RETIREMENT FUNDS**  
2 **IN CONNECTION WITH FEDERALLY DE-**  
3 **CLARED DISASTERS IN 2012, 2013, OR 2014.**

4 (a) **TAX-FAVORED WITHDRAWALS FROM RETIRE-**  
5 **MENT PLANS.—**

6 (1) **IN GENERAL.—**Paragraph (2) of section  
7 72(t) of the Internal Revenue Code of 1986 is  
8 amended by adding at the end the following new  
9 subparagraph:

10 “(H) **DISTRIBUTIONS FROM RETIREMENT**  
11 **PLANS IN CONNECTION WITH FEDERALLY DE-**  
12 **CLARED DISASTERS DURING 2012, 2013, AND**  
13 **2014.—**Any qualified 2012, 2013, or 2014 dis-  
14 aster recovery distribution.”.

15 (2) **QUALIFIED DISASTER RECOVERY DISTRIBU-**  
16 **TION.—**Section 72(t) of such Code is amended by  
17 adding at the end the following new paragraph:

18 “(11) **QUALIFIED 2012, 2013, OR 2014 DISASTER**  
19 **RECOVERY DISTRIBUTION.—**For purposes of para-  
20 graph (2)(H)—

21 “(A) **IN GENERAL.—**Except as provided in  
22 subparagraph (B), the term ‘qualified 2012,  
23 2013, or 2014 disaster recovery distribution’  
24 means, with respect to any federally declared  
25 disaster occurring during 2012, 2013, or 2014,  
26 any distribution from an eligible retirement

1 plan made on or after the applicable disaster  
2 date and before January 1, 2016, to an indi-  
3 vidual whose principal place of abode on the ap-  
4 plicable disaster date, is located in the disaster  
5 area and who has sustained an economic loss by  
6 reason of such federally declared disaster.

7 “(B) DOLLAR LIMITATION.—

8 “(i) IN GENERAL.—For purposes of  
9 this subsection, the aggregate amount of  
10 distributions received by an individual with  
11 respect to any federally declared disaster  
12 occurring during 2012, 2013, or 2014  
13 shall not exceed \$100,000.

14 “(ii) TREATMENT OF PLAN DISTRIBUTI-  
15 TIONS.—If a distribution to an individual  
16 would (without regard to clause (i)) be a  
17 qualified 2012, 2013, or 2014 disaster re-  
18 covery distribution, a plan shall not be  
19 treated as violating any requirement of this  
20 title merely because the plan treats such  
21 distribution as a qualified 2012, 2013, or  
22 2014 disaster recovery distribution, unless  
23 the aggregate amount of such distributions  
24 from all plans maintained by the employer  
25 (and any member of any controlled group



1 which includes the employer) to such indi-  
2 vidual with respect to any federally de-  
3 clared disaster occurring during 2012,  
4 2013, or 2014 exceeds \$100,000.

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

10 “(C) AMOUNT DISTRIBUTED MAY BE RE-  
11 PAID.—

12 “(i) IN GENERAL.—Any individual  
13 who receives a qualified 2012, 2013, or  
14 2014 disaster recovery distribution may, at  
15 any time during the 3-year period begin-  
16 ning on the day after the date on which  
17 such distribution was received, make one  
18 or more contributions in an aggregate  
19 amount not to exceed the amount of such  
20 distribution to an eligible retirement plan  
21 of which such individual is a beneficiary  
22 and to which a rollover contribution of  
23 such distribution could be made under sec-  
24 tion 402(c), 403(a)(4), 403(b)(8),

1 408(d)(3), or 457(e)(16), as the case may  
2 be.

3 “(ii) TREATMENT OF REPAYMENTS OF  
4 DISTRIBUTIONS FROM ELIGIBLE RETIRE-  
5 MENT PLANS OTHER THAN IRAS.—For  
6 purposes of this title, if a contribution is  
7 made pursuant to clause (i) with respect to  
8 a qualified 2012, 2013, or 2014 disaster  
9 recovery distribution from an eligible re-  
10 tirement plan other than an individual re-  
11 tirement plan, then the taxpayer shall, to  
12 the extent of the amount of the contribu-  
13 tion, be treated as having received the  
14 qualified 2012, 2013, or 2014 disaster re-  
15 covery distribution in an eligible rollover  
16 distribution (as defined in section  
17 402(c)(4)) and as having transferred the  
18 amount to the eligible retirement plan in a  
19 direct trustee to trustee transfer within 60  
20 days of the distribution.

21 “(iii) TREATMENT OF REPAYMENTS  
22 FOR DISTRIBUTIONS FROM IRAS.—For  
23 purposes of this title, if a contribution is  
24 made pursuant to clause (i) with respect to  
25 a qualified 2012, 2013, or 2014 disaster

1 recovery distribution from an individual re-  
2 tirement plan (as defined by section  
3 7701(a)(37)), then, to the extent of the  
4 amount of the contribution, the qualified  
5 2012, 2013, or 2014 disaster recovery dis-  
6 tribution shall be treated as a distribution  
7 described in section 408(d)(3) and as hav-  
8 ing been transferred to the eligible retire-  
9 ment plan in a direct trustee to trustee  
10 transfer within 60 days of the distribution.

11 “(D) INCOME INCLUSION SPREAD OVER 3-  
12 YEAR PERIOD.—

13 “(i) IN GENERAL.—In the case of any  
14 qualified 2012, 2013, or 2014 disaster re-  
15 covery distribution, unless the taxpayer  
16 elects not to have this paragraph apply for  
17 any taxable year, any amount required to  
18 be included in gross income for such tax-  
19 able year shall be so included ratably over  
20 the 3-taxable-year period beginning with  
21 such taxable year.

22 “(ii) SPECIAL RULE.—For purposes of  
23 clause (i), rules similar to the rules of sub-  
24 paragraph (E) of section 408A(d)(3) shall  
25 apply.

1 “(E) OTHER DEFINITIONS.—

2 “(i) FEDERALLY DECLARED DIS-  
3 ASTER; DISASTER AREA.—The terms ‘fed-  
4 erally declared disaster’ and ‘disaster area’  
5 have the meanings given such terms under  
6 section 165(h)(3)(C).

7 “(ii) APPLICABLE DISASTER DATE.—  
8 The term ‘applicable disaster date’ means,  
9 with respect to any federally declared dis-  
10 aster, the date on which such federally de-  
11 clared disaster occurs.

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

16 “(F) SPECIAL RULES.—

17 “(i) EXEMPTION OF DISTRIBUTIONS  
18 FROM TRUSTEE TO TRUSTEE TRANSFER  
19 AND WITHHOLDING RULES.—For purposes  
20 of sections 401(a)(31), 402(f), and 3405,  
21 qualified 2012 or 2013 disaster recovery  
22 distributions shall not be treated as eligible  
23 rollover distributions.

24 “(ii) QUALIFIED 2012, 2013, OR 2014  
25 DISASTER RECOVERY DISTRIBUTIONS

1 TREATED AS MEETING PLAN DISTRIBUTION  
2 TION REQUIREMENTS.—For purposes of  
3 this title, a qualified 2012, 2013, or 2014  
4 disaster recovery distribution shall be  
5 treated as meeting the requirements of sec-  
6 tions 401(k)(2)(B)(i), 403(b)(7)(A)(ii),  
7 403(b)(11), and 457(d)(1)(A).”.

8 (3) EFFECTIVE DATE.—The amendments made  
9 by this subsection shall apply to distributions with  
10 respect to disaster declared after December 31,  
11 2011.

12 (b) LOANS FROM QUALIFIED PLANS.—

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

16 “(6) INCREASE IN LIMIT ON LOANS NOT TREAT-  
17 ED AS DISTRIBUTIONS WITH RESPECT TO 2012, 2013,  
18 AND 2014 DISASTERS.—

19 “(A) IN GENERAL.—In the case of any  
20 loan from a qualified employer plan to a quali-  
21 fied individual made during the applicable pe-  
22 riod—

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

1           “(ii) clause (ii) of such paragraph  
2           shall be applied by substituting ‘the  
3           present value of the nonforfeitable accrued  
4           benefit of the employee under the plan’ for  
5           ‘one-half of the present value of the non-  
6           forfeitable accrued benefit of the employee  
7           under the plan’.

8           “(B) DELAY OF REPAYMENT.—In the case  
9           of a qualified individual with an outstanding  
10          loan on or after the applicable disaster date  
11          from a qualified employer plan—

12           “(i) if the due date pursuant to sub-  
13           paragraph (B) or (C) of paragraph (2) for  
14           any repayment with respect to such loan  
15           occurs during the period beginning on the  
16           applicable disaster date and ending on De-  
17           cember 31, 2014, such due date shall be  
18           delayed for 1 year,

19           “(ii) any subsequent repayments with  
20           respect to any such loan shall be appro-  
21           priately adjusted to reflect the delay in the  
22           due date under clause (i) and any interest  
23           accruing during such delay, and

24           “(iii) in determining the 5-year period  
25           and the term of a loan under subpara-

1 graph (B) or (C) of paragraph (2), the pe-  
2 riod described in clause (i) shall be dis-  
3 regarded.

4 “(C) DEFINITIONS.—For purposes of this  
5 paragraph—

6 “(i) QUALIFIED INDIVIDUAL.—The  
7 term ‘qualified individual’ means, with re-  
8 spect to any federally declared disaster oc-  
9 ccurring during 2012, 2013, or 2014, an in-  
10 dividual whose principal place of abode on  
11 the applicable disaster date is located in  
12 the disaster area and who has sustained an  
13 economic loss by reason of such federally  
14 declared disaster.

15 “(ii) APPLICABLE PERIOD.—The ap-  
16 plicable period is the period beginning on  
17 the applicable disaster date and ending on  
18 December 31, 2014.

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

24 “(iv) APPLICABLE DISASTER DATE.—  
25 The term ‘applicable disaster date’ means,

1 with respect to any federally declared dis-  
2 aster, the date on which such federally de-  
3 clared disaster occurs.’’.

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

7 (c) 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 any provision of, or  
20 amendment made by, this section, or pur-  
21 suant to any regulation issued by the Sec-  
22 retary or the Secretary of Labor under any  
23 provision of, or amendment made by, this  
24 section, and



1 (ii) on or before the last day of the  
2 first plan year beginning on or after Janu-  
3 ary 1, 2015, or such later date as the Sec-  
4 retary may prescribe.

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

9 (B) CONDITIONS.—This subsection shall  
10 not apply to any amendment unless—

11 (i) during the period—

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

22 (II) ending on the date described  
23 in subparagraph (A)(ii) (or, if earlier,  
24 the date the plan or contract amend-  
25 ment is adopted),

1 the plan or contract is operated as if such plan  
2 or contract amendment were in effect; and

3 (ii) such plan or contract amendment  
4 applies retroactively for such period.

5 **SEC. 109. ADDITIONAL EXEMPTION FOR HOUSING QUALI-**  
6 **FIED DISASTER DISPLACED INDIVIDUALS.**

7 (a) **IN GENERAL.**—Section 151 of the Internal Rev-  
8 enue Code of 1986 is amended by adding at the end the  
9 following new subsection:

10 “(g) **ADDITIONAL EXEMPTION FOR CERTAIN DIS-**  
11 **ASTER-DISPLACED INDIVIDUALS.**—

12 “(1) **IN GENERAL.**—In the case of any taxable  
13 year beginning in 2012, 2013, or 2014, there shall  
14 be allowed an exemption of \$500 for each qualified  
15 disaster-displaced individual with respect to the tax-  
16 payer for the taxable year.

17 “(2) **LIMITATIONS.**—

18 “(A) **DOLLAR LIMITATION.**—The exemp-  
19 tion under paragraph (1) shall not exceed  
20 \$2,000, reduced by the amount of the exemp-  
21 tion under this subsection for all prior taxable  
22 years.

23 “(B) **INDIVIDUALS TAKEN INTO ACCOUNT**  
24 **ONLY ONCE.**—An individual shall not be taken  
25 into account under paragraph (1) if such indi-

1           vidual was taken into account under this sub-  
2           section by the taxpayer for any prior taxable  
3           year.

4           “(C) IDENTIFYING INFORMATION RE-  
5           QUIRED.—An individual shall not be taken into  
6           account under paragraph (1) for a taxable year  
7           unless the taxpayer identification number of  
8           such individual is included on the return of the  
9           taxpayer for such taxable year.

10          “(3) QUALIFIED DISASTER-DISPLACED INDI-  
11          VIDUAL.—

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

22                 “(B) QUALIFIED INDIVIDUAL.—The term  
23                 ‘qualified individual’ means any individual  
24                 who—

1                   “(i) who on the date of a federally de-  
2                   clared disaster occurring during 2012,  
3                   2013, or 2014 maintained such individual’s  
4                   principal place of abode in the disaster  
5                   area declared with respect to such disaster,  
6                   and

7                   “(ii) was displaced from such prin-  
8                   cipal place of abode by reason of the feder-  
9                   ally declared disaster.

10                  For purposes of the preceding sentence, the  
11                  terms ‘federally declared disaster’ and ‘disaster  
12                  area’ have the meanings given such terms in  
13                  section 165(h)(3).

14                  “(4) COMPENSATION FOR HOUSING.—No de-  
15                  duction shall be allowed under this subsection if the  
16                  taxpayer receives any rent or other amount (from  
17                  any source) in connection with the providing of such  
18                  housing.”.

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

1 **SEC. 110. EXCLUSIONS OF CERTAIN CANCELLATIONS OF IN-**  
2 **DEBTEDNESS BY REASON OF 2012, 2013, OR**  
3 **2014 DISASTERS.**

4 (a) **IN GENERAL.**—Section 108 of the Internal Rev-  
5 enue Code of 1986 is amended by adding at the end the  
6 following new subsection:

7 “(j) **DISCHARGE OF INDEBTEDNESS FOR INDIVID-**  
8 **UALS AFFECTED BY 2012, 2013, AND 2014 DISASTERS.**—

9 “(1) **IN GENERAL.**—Except as provided in para-  
10 graph (2), gross income shall not include any  
11 amount which (but for this subsection) would be in-  
12 cludible in gross income by reason of any discharge  
13 (in whole or in part) of indebtedness of a natural  
14 person described in paragraph (3) by an applicable  
15 entity (as defined in section 6050P(c)(1)) during the  
16 applicable period.

17 “(2) **EXCEPTIONS FOR BUSINESS INDEBTED-**  
18 **NESS.**—Paragraph (1) shall not apply to any indebt-  
19 edness incurred in connection with a trade or busi-  
20 ness.

21 “(3) **PERSONS DESCRIBED.**—A natural person  
22 is described in this paragraph if the principal place  
23 of abode of such person on the applicable disaster  
24 date was located in the disaster area with respect to  
25 any federally declared disaster occurring during  
26 2012, 2013, or 2014.

1           “(4) APPLICABLE PERIOD.—For purposes of  
2 this subsection, the term ‘applicable period’ means  
3 the period beginning on the applicable disaster date  
4 and ending on the date which is 14 months after  
5 such date.

6           “(5) OTHER DEFINITIONS.—For purposes of  
7 this subsection—

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

12                   “(B) APPLICABLE DISASTER DATE.—The  
13 term ‘applicable disaster date’ means, with re-  
14 spect to any federally declared disaster, the  
15 date on which such federally declared disaster  
16 occurs.”.

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

19 **SEC. 111. SPECIAL RULE FOR DETERMINING EARNED IN-**  
20 **COME OF INDIVIDUALS AFFECTED BY FEDER-**  
21 **ALLY DECLARED DISASTERS.**

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

1       “(n) SPECIAL RULE FOR DETERMINING EARNED IN-  
2 COME OF TAXPAYERS AFFECTED BY FEDERALLY DE-  
3 CLARED DISASTERS.—

4           “(1) IN GENERAL.—In the case of a qualified  
5 individual with respect to any federally declared dis-  
6 aster occurring during 2012, 2013, or 2014, if the  
7 earned income of the taxpayer for the taxable year  
8 which includes the applicable disaster date is less  
9 than the earned income of the taxpayer for the pre-  
10 ceding taxable year, the credit allowed under this  
11 section and section 24(d) may, at the election of the  
12 taxpayer, be determined by substituting—

13           “(A) such earned income for the preceding  
14 taxable year, for

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

17       “(2) QUALIFIED INDIVIDUAL.—For purposes of  
18 this subsection, the term ‘qualified individual’  
19 means, with respect to any federally declared dis-  
20 aster occurring during 2012, 2013, or 2014, any in-  
21 dividual whose principal place of abode on the appli-  
22 cable disaster date, was located—

23           “(A) in any portion of a disaster area de-  
24 termined by the President to warrant individual  
25 or individual and public assistance under the

1 Robert T. Stafford Disaster Relief and Emer-  
2 gency Assistance Act by reason of the federally  
3 declared disaster, or

4 “(B) in any portion of the disaster area  
5 not described in subparagraph (A) and such in-  
6 dividual was displaced from such principal place  
7 of abode by reason of the federally declared dis-  
8 aster.

9 “(3) OTHER DEFINITIONS.—For purposes of  
10 this paragraph—

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

15 “(B) APPLICABLE DISASTER DATE.—The  
16 term ‘applicable disaster date’ means, with re-  
17 spect to any federally declared disaster, the  
18 date on which such federally declared disaster  
19 occurs.

20 “(4) SPECIAL RULES.—

21 “(A) APPLICATION TO JOINT RETURNS.—  
22 For purposes of paragraph (1), in the case of  
23 a joint return for a taxable year which includes  
24 the disaster date—



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

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

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

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

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

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

24                  “(5) SPECIAL RULE FOR DETERMINING  
25                  EARNED INCOME OF TAXPAYERS AFFECTED BY FED-

1 ERALLY DECLARED DISASTERS.—For election by  
2 qualified individuals with respect to certain federally  
3 declared disasters to substitute earned income from  
4 the preceding taxable year, see section 32(n).”.

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

8 **SEC. 112. INCREASE IN REHABILITATION CREDIT FOR**  
9 **BUILDINGS IN 2012, 2013, AND 2014 DISASTER**  
10 **AREAS.**

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

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

16 “(1) IN GENERAL.—In the case of qualified re-  
17 habilitation expenditures paid or incurred during the  
18 applicable period with respect to any qualified reha-  
19 bilitated building or certified historic structure lo-  
20 cated in a disaster area with respect to any federally  
21 declared disaster occurring in 2012, 2013, or 2014,  
22 subsection (a) shall be applied—

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

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

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

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

9           “(B) APPLICABLE PERIOD.—The term ‘ap-  
10           plicable period’ means the period beginning on  
11           the applicable disaster date and ending on De-  
12           cember 31, 2015.

13           “(C) APPLICABLE DISASTER DATE.—The  
14           term ‘applicable disaster date’ means, with re-  
15           spect to any federally declared disaster, the  
16           date on which such federally declared disaster  
17           occurs.”.

18           (b) EFFECTIVE DATE.—The amendments made by  
19           this section shall apply to amounts paid or incurred after  
20           December 31, 2011.

21           **SEC. 113. ADVANCED REFUNDINGS OF CERTAIN TAX-EX-**  
22           **EMPT BONDS.**

23           (a) IN GENERAL.—Section 149(d) of the Internal  
24           Revenue Code of 1986 is amended by redesignating para-

1 graph (7) as paragraph (8) and by inserting after para-  
2 graph (6) the following new paragraph:

3           “(7) SPECIAL RULE WITH RESPECT TO CER-  
4           TAIN NATURAL DISASTERS.—

5           “(A) IN GENERAL.—With respect to a  
6           bond described in subparagraph (C), one addi-  
7           tional advance refunding after the date of the  
8           enactment of this paragraph and before Janu-  
9           ary 1, 2018, shall be allowed under the rules of  
10          this subsection if—

11                   “(i) the Governor of the State des-  
12                   ignates the advance refunding bond for  
13                   purposes of this subsection, and

14                   “(ii) the requirements of subpara-  
15                   graph (E) are met.

16           “(B) CERTAIN PRIVATE ACTIVITY  
17           BONDS.—With respect to a bond described in  
18           subparagraph (C) which is an exempt facility  
19           bond described in paragraph (1) or (2) of sec-  
20           tion 142(a), one advance refunding after the  
21           date of the enactment of this paragraph and be-  
22           fore January 1, 2018, shall be allowed under  
23           the applicable rules of this subsection (notwith-  
24           standing paragraph (2) thereof) if the require-

1           ments of clauses (i) and (ii) of subparagraph  
2           (A) are met.

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

6                   “(i) was outstanding on the applicable  
7                   disaster date, and

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

10           “(D) AGGREGATE LIMIT.—The maximum  
11           aggregate face amount of bonds which may be  
12           designated under this subsection by the Gov-  
13           ernor of a State shall not exceed  
14           \$4,500,000,000.

15           “(E) ADDITIONAL REQUIREMENTS.—The  
16           requirements of this subparagraph are met with  
17           respect to any advance refunding of a bond de-  
18           scribed in subparagraph (C) if—

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

22                   “(ii) the advance refunding bond is  
23                   the only other outstanding bond with re-  
24                   spect to the refunded bond, and

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

4           “(F) DEFINITIONS.—For purposes of this  
5           subsection—

6           “(i) FEDERALLY DECLARED DIS-  
7           ASTER; DISASTER AREA.—The terms ‘fed-  
8           erally declared disaster’ and ‘disaster area’  
9           have the meanings given such terms under  
10          section 165(h)(3)(C).

11          “(ii) APPLICABLE DISASTER DATE.—  
12          The term ‘applicable disaster date’ means,  
13          with respect to any federally declared dis-  
14          aster, the date on which such federally de-  
15          clared disaster occurs.

16          “(iii) APPLICABLE STATE.—The term  
17          ‘applicable State’ means, with respect to  
18          any federally declared disaster, any State  
19          in which a portion of the disaster area is  
20          located.”.

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

22          (a) IN GENERAL.—Subpart A of part IV of sub-  
23          chapter B of chapter 1 of the Internal Revenue Code of  
24          1986 is amended by inserting after section 146 the fol-  
25          lowing new section:

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

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

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

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

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

10               “(1) 95 percent or more of the net proceeds of  
11 such issue are to be used for qualified project costs,

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

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

17               “(4) such bond is issued after the date of the  
18 enactment of this section and before January 1,  
19 2017.

20       “(c) **LIMITATION ON AMOUNT OF BONDS.**—

21               “(1) **IN GENERAL.**—The maximum aggregate  
22 face amount of bonds which may be designated  
23 under this section by any State shall not exceed  
24 \$10,000,000,000.

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

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

8                   “(A) the average maturity date of the issue  
9                   of which the refunding bond is a part is not  
10                  later than the average maturity date of the  
11                  bonds to be refunded by such issue,

12                   “(B) the amount of the refunding bond  
13                   does not exceed the outstanding amount of the  
14                   refunded bond, and

15                   “(C) the net proceeds of the refunding  
16                   bond are used to redeem the refunded bond not  
17                   later than 90 days after the date of the  
18                   issuance of the refunding bond.

19           For purposes of subparagraph (A), average maturity  
20           shall be determined in accordance with section  
21           147(b)(2)(A).

22           “(d) QUALIFIED PROJECT COSTS.—For purposes of  
23           this section, the term ‘qualified project costs’ means the  
24           cost of acquisition, construction, reconstruction, and ren-  
25           ovation of—



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

3           “(2) nonresidential real property (including  
4 fixed improvements associated with such property),

5           “(3) a facility described in paragraph (2) or (3)  
6 of section 142(a), or

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

9 which is located in a qualified disaster area and was dam-  
10 aged or destroyed by reason of the a federally declared  
11 disaster.

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

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

19           “(2) Section 148(f)(4)(C) (relating to exception  
20 from rebate for certain proceeds to be used to fi-  
21 nance construction expenditures) shall apply to the  
22 available construction proceeds of bonds issued  
23 under this section. For purposes of the preceding  
24 sentence, the following spending requirements shall

1 apply in lieu of the requirements in clause (ii) of  
2 such section:

3 “(A) 40 percent of such available construc-  
4 tion proceeds are spent for the governmental  
5 purposes of the issue within the 2-year period  
6 beginning on the date the bonds are issued,

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

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

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

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

18 “(A) may not be used to provide financing,  
19 and

20 “(B) must be used not later than the close  
21 of the 1st semiannual period beginning after  
22 the date of the repayment to redeem bonds  
23 which are part of such issue.

24 The requirement of subparagraph (B) shall be treat-  
25 ed as met with respect to amounts received within

1 5 years after the date of issuance of the issue (or,  
2 in the case of a refunding bond, the date of issuance  
3 of the original bond) if such amounts are used by  
4 the close of such 5 years to redeem bonds which are  
5 part of such issue.

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

7 “(f) SEPARATE ISSUE TREATMENT OF PORTIONS OF  
8 AN ISSUE.—This section shall not apply to the portion of  
9 an issue which (if issued as a separate issue) would be  
10 treated as a qualified bond or as a bond that is not a  
11 private activity bond (determined without regard to para-  
12 graph (1)), if the issuer elects to so treat such portion.

13 “(g) QUALIFIED DISASTER AREA; FEDERALLY DE-  
14 CLARED DISASTER.—

15 “(1) QUALIFIED DISASTER AREA.—The term  
16 ‘qualified disaster area’ means any area determined  
17 to warrant individual or individual and public assist-  
18 ance from the Federal Government under the Robert  
19 T. Stafford Disaster Relief and Emergency Assist-  
20 ance Act by reason of a federally declared disaster  
21 occurring during the period beginning after Decem-  
22 ber 31, 2011, and before January 1, 2015.

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

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

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

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

8 **SEC. 115. ADDITIONAL LOW-INCOME HOUSING CREDIT AL-**  
9 **LOCATIONS.**

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

15 “(J) INCREASE IN STATE HOUSING CREDIT  
16 FOR STATES DAMAGED BY NATURAL DISAS-  
17 TERS.—

18 “(i) IN GENERAL.—In the case of cal-  
19 endar year 2015, the State housing credit  
20 ceiling of each State any portion of which  
21 includes any portion of a qualifying dis-  
22 aster area shall be increased by so much of  
23 the aggregate housing credit dollar amount  
24 as does not exceed the applicable limitation  
25 allocated by the State housing credit agen-

1 cy of such State for such calendar year to  
2 buildings located in qualifying disaster  
3 areas.

4 “(ii) APPLICABLE LIMITATION.—For  
5 purposes of clause (i), the applicable limi-  
6 tation is the greater of—

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

10 “(II) 50 percent of the State  
11 housing credit ceiling (determined  
12 without regard to this subparagraph)  
13 for 2014.

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

22 “(iv) ALLOCATIONS TREATED AS  
23 MADE FIRST FROM ADDITIONAL ALLOCA-  
24 TION AMOUNT FOR PURPOSES OF DETER-  
25 MINING CARRYOVER.—For purposes of de-

1           termining the unused State housing credit  
2           ceiling under subparagraph (C) for any  
3           calendar year, any increase in the State  
4           housing credit ceiling under clause (i) shall  
5           be treated as an amount described in  
6           clause (ii) of such subparagraph.

7           “(v) QUALIFYING DISASTER AREA.—  
8           For purposes of this subparagraph, the  
9           term ‘qualifying federally declared disaster  
10          area’ means—

11           “(I) each county which is deter-  
12          mined to warrant individual or indi-  
13          vidual and public assistance from the  
14          Federal Government under a quali-  
15          fying natural disaster declaration de-  
16          scribed in clause (vi)(I), and

17           “(II) each county not described  
18          in subclause (I) which is included in  
19          the geographical area covered by a  
20          qualifying natural disaster declaration  
21          described in subclause (II) or (III) of  
22          clause (vi).

23           “(vi) QUALIFYING NATURAL DISASTER  
24          DECLARATION.—For purposes of clause

1 (v), the term ‘qualifying natural disaster  
2 declaration’ means—

3 “(I) a federally declared disaster  
4 (as defined in section 165(h)(3)(C))  
5 occurring during the period beginning  
6 after December 31, 2011, and before  
7 January 1, 2015,

8 “(II) a natural disaster declared  
9 by the Secretary of Agriculture in  
10 2011 due to damaging weather and  
11 other conditions relating to Hurricane  
12 Irene or Tropical Storm Lee under  
13 section 321(a) of the Consolidated  
14 Farm and Rural Development Act (7  
15 U.S.C. 1961(a)), or

16 “(III) a major disaster or emer-  
17 gency designated by the President in  
18 2011 due to damaging weather and  
19 other conditions relating to Hurricane  
20 Irene or Tropical Storm Lee under  
21 the Robert T. Stafford Disaster Relief  
22 and Emergency Assistance Act (42  
23 U.S.C. 5121 et seq.).”.

1 (b) EFFECTIVE DATE.—The amendment made by  
2 this section shall take effect on the date of the enactment  
3 of this Act.

4 **SEC. 116. FACILITATION OF TRANSFER OF WATER LEASING**  
5 **AND WATER BY MUTUAL DITCH OR IRRIGA-**  
6 **TION COMPANIES IN DISASTER AREAS.**

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

10 “(I) TREATMENT OF MUTUAL DITCH OR  
11 IRRIGATION COMPANIES IN CERTAIN DISASTER  
12 AREAS.—

13 “(i) IN GENERAL.—In the case of a  
14 qualified mutual ditch or irrigation com-  
15 pany or like organization, subparagraph  
16 (A) shall be applied without taking into ac-  
17 count any income received or accrued dur-  
18 ing the applicable period—

19 “(I) from the sale, lease, or ex-  
20 change of fee or other interests in real  
21 property, including interests in water,

22 “(II) from the sale or exchange  
23 of stock in a mutual ditch or irriga-  
24 tion company or like organization or



1 contract rights for the delivery or use  
2 of water,

3 “(III) from the investment of  
4 proceeds from sales, leases, or ex-  
5 changes under subclauses (I) and (II),  
6 or

7 “(IV) from the United States, or  
8 a State or local government, resulting  
9 from the federally declared disaster.

10 except that any income received under sub-  
11 clause (I), (II), (III), or (IV) which is dis-  
12 tributed or expended for expenses (other  
13 than for operations, maintenance, and cap-  
14 ital improvements) of the qualified mutual  
15 ditch or irrigation company or like organi-  
16 zation shall be treated as nonmember in-  
17 come in the year in which it is distributed  
18 or expended.

19 “(ii) QUALIFIED MUTUAL DITCH OR  
20 IRRIGATION COMPANY OR LIKE ORGANIZA-  
21 TION.—For purposes of this paragraph—

22 “(I) IN GENERAL.—The term  
23 ‘qualified mutual ditch or irrigation  
24 company or like organization’ means  
25 any mutual ditch or irrigation com-

1           pany or like organization to a mutual  
2           ditch or irrigation company that di-  
3           verted, delivered, transported, stored,  
4           or used its water for agricultural irri-  
5           gation purposes on its own or through  
6           its shareholders in a qualified disaster  
7           area during 2012, 2013, or 2014.

8                   “(II) QUALIFIED ASSET.—The  
9           term ‘qualified asset’ means any real  
10          property or tangible personal property  
11          used in the mutual ditch or irrigation  
12          company’s (or like organization’s) sys-  
13          tem.

14                   “(III) MULTIPLE AREAS.—Under  
15          regulations, if the qualified assets of  
16          any mutual ditch or irrigation com-  
17          pany or like organization are located  
18          in more than 1 qualified disaster area,  
19          all such areas shall be treated as 1  
20          area and if more than 1 federally de-  
21          clared disaster is involved, the date on  
22          which the last of such disasters oc-  
23          curred shall be the date used for pur-  
24          poses of this paragraph.

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

6           “(iv) OTHER DEFINITIONS.—

7           “(I) QUALIFIED DISASTER  
8           AREA.—The term ‘qualified disaster  
9           area’ means any area determined to  
10          warrant individual or individual and  
11          public assistance from the Federal  
12          Government under the Robert T.  
13          Stafford Disaster Relief and Emer-  
14          gency Assistance Act by reason of a  
15          federally declared disaster occurring  
16          during the period beginning on Janu-  
17          ary 1, 2012, and ending on December  
18          31, 2014.

19          “(II) FEDERALLY DECLARED  
20          DISASTER.—The term ‘federally de-  
21          clared disaster’ has the meaning given  
22          to such term under section  
23          165(h)(3)(C).”.

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

4 **TITLE II—OTHER DISASTER TAX**  
5 **RELIEF PROVISIONS**

6 **SEC. 201. EXCLUSION FOR DISASTER MITIGATION PAY-**  
7 **MENTS RECEIVED FROM STATE AND LOCAL**  
8 **GOVERNMENTS.**

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

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

17 **SEC. 202. NATURAL DISASTER FUNDS.**

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

22 **“SEC. 468C. SPECIAL RULES FOR NATURAL DISASTER**  
23 **FUNDS.**

24 **“(a) IN GENERAL.—**If a qualified taxpayer elects the  
25 application of this section, there shall be allowed as a de-

1 duction for any taxable year the amount of payments  
2 made by the taxpayer to a natural disaster fund during  
3 such taxable year.

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

7 “(1) DESIGNATION.—The taxpayer des-  
8 ignates—

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

11 “(B) the line or lines of business to which  
12 the fund applies.

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

15 “(3) INVESTMENTS.—

16 “(A) The assets of the fund are main-  
17 tained in one or more qualified accounts and  
18 are invested only in—

19 “(i) deposits with banks whose depos-  
20 its are insured subject to applicable limits  
21 by the Federal Deposit Insurance Corpora-  
22 tion, or

23 “(ii) in stock or other securities in  
24 which the fund would be permitted to in-  
25 vest if it were a capital construction fund

1 subject to the investment limitations of  
2 paragraphs (2) and (3) of section  
3 7518(b)(2).

4 “(B) All investment earnings (including  
5 gains and losses) from investments of the fund  
6 become part of the fund.

7 “(4) CONTRIBUTIONS TO THE FUND.—The  
8 fund does not accept any deposits (or other  
9 amounts) other than cash payments with respect to  
10 which a deduction is allowable under subsection (a)  
11 and earnings (including gains and losses) from fund  
12 investments.

13 “(5) PURPOSE.—The fund is established and  
14 maintained for the purposes of covering costs, ex-  
15 penses, and losses (including business interruption  
16 losses) resulting from a Federally declared natural  
17 disaster to the extent such costs are not covered by  
18 insurance.

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

21 “(A) the sum of—

22 “(i) 150 percent of the maximum de-  
23 ductible, and

1                   “(ii) 100 percent of the maximum co-  
2                   insurance (to the extent not taken into ac-  
3                   count in clause (i)),

4                   that, in the case of a Federally declared natural  
5                   disaster resulting in losses, the taxpayer could  
6                   be expected to pay with respect to property and  
7                   business interruption insurance maintained by  
8                   the taxpayer for the line of business to which  
9                   the fund applies and that would cover losses re-  
10                  sulting from a Federally declared natural dis-  
11                  aster, and

12                  “(B) the maximum loss under any insur-  
13                  ance coverage that the taxpayer could reason-  
14                  ably expect to occur for the line of business in  
15                  the case of a severe natural disaster.

16                  “(7) FINANCIAL STATEMENTS.—The fund or  
17                  the balance of the fund is recorded in the taxpayer’s  
18                  financial statements in accordance with generally ac-  
19                  cepted accounting principles and not as a current  
20                  asset and the footnotes to the taxpayer’s financial  
21                  statements include a short description of the fund  
22                  and its purposes.

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

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

3                   “(B) in the United States.

4                   “(c) QUALIFIED TAXPAYER.—For purposes of this  
5 section, the term ‘qualified taxpayer’ means any taxpayer  
6 that—

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

8                   “(2) maintains property insurance with respect  
9                   to such trade or business that insures against losses  
10                  in natural disasters.

11                  “(d) FAILURE TO MEET REQUIREMENTS.—If a fund  
12 that was a natural disaster fund ceases to meet any of  
13 the requirements of subsection (b) or a taxpayer who has  
14 a natural disaster fund ceases to meet the requirement  
15 of subsection (c), the entire balance of the fund shall be  
16 deemed distributed in a nonqualified distribution at the  
17 time the fund ceases to meet such requirements.

18                  “(e) TAXATION OF FUND.—

19                  “(1) IN GENERAL.—The earnings (including  
20                  gains and losses) from the investment and reinvest-  
21                  ment of amounts held in the fund shall not be taken  
22                  into account in determining the gross income of the  
23                  taxpayer that owns the fund.



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

4           “(f) TAXATION OF DISTRIBUTIONS FROM THE  
5 FUND.—

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

10          “(2) NONQUALIFIED DISTRIBUTIONS.—

11           “(A) IN GENERAL.—In the case of any  
12 taxable year for which there is a nonqualified  
13 distribution—

14           “(i) such nonqualified distributions  
15 shall be excluded from the gross income of  
16 the taxpayer, and

17           “(ii) the tax imposed by this chapter  
18 (determined without regard to this sub-  
19 section) shall be increased by the product  
20 of the amount of such nonqualified dis-  
21 tribution and the highest rate of tax speci-  
22 fied in section 1 (section 11 in the case of  
23 a corporation).

24           “(B) TAX BENEFIT RULE; COORDINATION  
25 WITH DEDUCTION FOR NET OPERATING

1           LOSSES.—Rules similar to the rules of subpara-  
2           graphs (B) and (C) of section 7518(g)(6) shall  
3           apply for purposes of this paragraph.

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

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

11                   “(B) an amount equal to interest, at the  
12                   underpayment rate established under section  
13                   6621, on the nonqualified distribution from the  
14                   time the amount is added to the fund to the  
15                   time the amount is distributed.

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

18                   “(A) all investment earnings (including  
19                   gains or losses) in taxable year shall be treated  
20                   as added to the fund on the last day of the tax-  
21                   able year, and

22                   “(B) amounts distributed from the fund  
23                   shall be treated as distributed on a first-in,  
24                   first-out basis.

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



1                   ance) incurred by the taxpayer as a result  
2                   of the Federally declared natural disaster  
3                   with respect to the line or lines of business  
4                   for which the fund was designated, over

5                   “(ii) the proceeds of property and  
6                   business interruption insurance paid for  
7                   the benefit of the taxpayer with respect to  
8                   costs, expenses, and losses described in  
9                   clause (i).

10                  “(B) LIMITATION.—A distribution from a  
11                  natural disaster fund shall not be treated as a  
12                  qualified distribution if such distribution is allo-  
13                  cated to a Federally declared natural disaster  
14                  occurring more than 3 years before the date of  
15                  such distribution.

16                  “(h) SPECIAL RULES.—For purposes of this sec-  
17                  tion—

18                  “(1) NO DOUBLE COUNTING.—Any portion of  
19                  any deductible or coinsurance taken into account  
20                  under subsection (b)(6) in determining the max-  
21                  imum balance for a natural disaster fund shall not  
22                  be taken into account in determining the maximum  
23                  balance for another natural disaster fund.

24                  “(2) EXCESS BALANCE.—

1           “(A) IN GENERAL.—If the balance of a  
2 natural disaster fund exceeds the maximum bal-  
3 ance permitted by subsection (b)(6) by reason  
4 of investment earnings or a reduction in the  
5 maximum balance, the account shall not cease  
6 to be a natural disaster fund as the result of  
7 exceeding such limit if the excess is distributed  
8 within 120 days of the date that such excess  
9 first occurred.

10           “(B) TREATMENT OF DISTRIBUTIONS OF  
11 EXCESS BALANCE.—In the case of any distribu-  
12 tion of the excess balance of a natural disaster  
13 fund within 120 days of the date that such ex-  
14 cess first occurred—

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

19           “(ii) the amount of such distribution  
20 shall be included in the gross income of the  
21 taxpayer in the year such distribution was  
22 made.

23           “(C) ANTI-ABUSE RULE.—Subparagraph  
24 (B) shall not apply in the case of any reduction  
25 in the maximum balance resulting from any ac-

1           tion of the taxpayer the primary purpose of  
2           which was to reduce the maximum balance to  
3           enable a distribution that would not be subject  
4           to the maximum tax rate calculation or the ad-  
5           ditional tax.

6           “(3) CERTAIN ASSET ACQUISITIONS.—The  
7           transfer of a natural disaster fund (or the portion of  
8           a natural disaster fund) from one person to another  
9           person shall not constitute a nonqualified distribu-  
10          tion if—

11                   “(A) such transfer is part of a trans-  
12          action—

13                           “(i) to which section 381 applies,

14                           “(ii) the transferee acquires substan-  
15                           tially all of the assets of the transferor  
16                           used in the line or lines of business for  
17                           which the fund was designated,

18                           “(iii) the transferee acquires substan-  
19                           tially all of the assets of the transferor  
20                           used in one, but not all, of the lines of  
21                           business for which the fund was des-  
22                           ignated, or

23                           “(iv) the transferee acquires substan-  
24                           tially all of the transferor’s assets located  
25                           in a geographical area and used in a line

1 of business for which the fund was des-  
2 ignated, and

3 “(B) the transferee elects to treat the ac-  
4 quired natural disaster fund (or portion there-  
5 of) as a natural disaster fund for the line of  
6 business for which the transferor had previously  
7 designated the fund and as a continuation of  
8 the fund (or pro rata portion thereof) for pur-  
9 poses of determining the additional tax imposed  
10 by subsection (f)(4).

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

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

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

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