

AMENDMENT NO. \_\_\_\_\_ Calendar No. \_\_\_\_\_

Purpose: To provide a substitute.

**IN THE SENATE OF THE UNITED STATES—109th Cong., 1st Sess.**

**S. 1696**

To provide tax relief for the victims of Hurricane Katrina, to provide incentives for charitable giving, and for other purposes.

Referred to the Committee on \_\_\_\_\_ and  
ordered to be printed

Ordered to lie on the table and to be printed

AMENDMENT intended to be proposed by Mr. GRASSLEY (for  
himself and Mr. BAUCUS)

Viz:

1 Strike all after the enacting clause and insert the fol-  
2 lowing:

3 **SECTION 1. SHORT TITLE; AMENDMENT OF 1986 CODE;**

4 **TABLE OF CONTENTS.**

5 (a) **SHORT TITLE.**—This Act may be cited as the  
6 “Hurricane Katrina Tax Relief Act of 2005”.

7 (b) **AMENDMENT OF 1986 CODE.**—Except as other-  
8 wise expressly provided, whenever in this Act an amend-  
9 ment or repeal is expressed in terms of an amendment  
10 to, or repeal of, a section or other provision, the reference

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

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

Sec. 1. Short title; amendment of 1986 Code; table of contents.

Sec. 2. Hurricane Katrina disaster area.

#### TITLE I—PENALTY FREE USE OF RETIREMENT FUNDS BY NATURAL DISASTER VICTIMS

Sec. 101. Penalty free withdrawals from retirement plans for victims of feder-  
ally declared natural disasters.

Sec. 102. Income averaging for disaster-relief distributions related to Hurricane  
Katrina.

Sec. 103. Recontributions of withdrawals for home purchases cancelled due to  
Hurricane Katrina.

Sec. 104. Loans from qualified plans to victims of Hurricane Katrina.

Sec. 105. Provisions relating to plan amendments.

#### TITLE II—EMPLOYMENT RELIEF

Sec. 201. Work opportunity tax credit for Hurricane Katrina employee sur-  
vivors.

Sec. 202. Employee retention credit for employers affected by Hurricane  
Katrina.

#### TITLE III—CHARITABLE GIVING INCENTIVES

Sec. 301. Temporary increase in limitation on individual and corporate chari-  
table cash contributions.

Sec. 302. Tax-free distributions from individual retirement accounts for chari-  
table purposes.

Sec. 303. Charitable deduction for contributions of food inventories.

Sec. 304. Charitable deduction for contributions of book inventories.

Sec. 305. Additional personal exemption amount for Hurricane Katrina house-  
guest.

Sec. 306. Increase in standard mileage rate for charitable use of passenger  
automobile.

#### TITLE IV—ADDITIONAL TAX RELIEF PROVISIONS

Sec. 401. Exclusions of certain cancellations of indebtedness for victims of Hur-  
ricane Katrina.

Sec. 402. Modification to casualty loss rules for victims of Hurricane Katrina.

Sec. 403. Required exercise of authority under section 7508A for tax relief for  
victims of Hurricane Katrina.

Sec. 404. Special mortgage financing rules for residences located in Hurricane  
Katrina disaster area.

Sec. 405. Extension of replacement period for nonrecognition of gain for prop-  
erty located in Hurricane Katrina disaster area.

Sec. 406. Special rule for determining earned income.

Sec. 407. Secretarial authority to make adjustments regarding taxpayer and de-  
pendency status.

## TITLE V—ADDITIONAL PROVISIONS

Sec. 501. Disclosure to State officials of proposed actions related to exempt organizations.

Sec. 502. Dedication and use of certain fees.

**1 SEC. 2. HURRICANE KATRINA DISASTER AREA.**

2 For purposes of this Act, the term “Hurricane  
3 Katrina disaster area” means an area—

4 (1) with respect to which a major disaster has  
5 been declared by the President before September 14,  
6 2005, under section 401 of the Robert T. Stafford  
7 Disaster Relief and Emergency Assistance Act in  
8 connection with Hurricane Katrina, and

9 (2) which is determined by the President before  
10 such date to warrant individual assistance, or indi-  
11 vidual and public assistance, from the Federal Gov-  
12 ernment under such Act.

**13 TITLE I—PENALTY FREE USE OF  
14 RETIREMENT FUNDS BY NAT-  
15 URAL DISASTER VICTIMS****16 SEC. 101. PENALTY FREE WITHDRAWALS FROM RETIRE-  
17 MENT PLANS FOR VICTIMS OF FEDERALLY  
18 DECLARED NATURAL DISASTERS.**

19 (a) IN GENERAL.—Paragraph (2) of section 72(t)  
20 (relating to 10-percent additional tax on early distribu-  
21 tions from qualified retirement plans) is amended by add-  
22 ing at the end the following new subparagraph:

1                   “(G) DISTRIBUTIONS FROM RETIREMENT  
2                   PLANS TO VICTIMS OF FEDERALLY DECLARED  
3                   NATURAL DISASTERS.—

4                   “(i) DISTRIBUTION ALLOWED.—Any  
5                   qualified disaster-relief distribution.

6                   “(ii) AMOUNT DISTRIBUTED MAY BE  
7                   REPAID.—

8                   “(I) IN GENERAL.—Any indi-  
9                   vidual who receives a qualified dis-  
10                  aster-relief distribution may, at any  
11                  time during the 3-year period begin-  
12                  ning on the day after the date on  
13                  which such distribution was made,  
14                  make one or more contributions in an  
15                  aggregate amount not to exceed the  
16                  amount of such distribution to an eli-  
17                  gible retirement plan (as defined in  
18                  section 402(c)(8)(B)) of which such  
19                  individual is a beneficiary and to  
20                  which a rollover contribution of such  
21                  distribution could be made under sec-  
22                  tion 402(c), 403(a)(4), 403(b)(8),  
23                  408(d)(3), or 457(e)(16), as the case  
24                  may be.

1                   “(II) TREATMENT OF REPAY-  
2                   MENTS FOR DISTRIBUTIONS FROM EL-  
3                   IGIBLE RETIREMENT PLANS OTHER  
4                   THAN IRAS.—For purposes of this  
5                   title, if a contribution is made pursu-  
6                   ant to subclause (I) with respect to a  
7                   qualified disaster-relief distribution  
8                   from an eligible retirement plan (as so  
9                   defined) other than an individual re-  
10                  tirement plan, then the taxpayer shall,  
11                  to the extent of the amount of the  
12                  contribution, be treated as having re-  
13                  ceived the qualified disaster-relief dis-  
14                  tribution in an eligible rollover dis-  
15                  tribution (as defined in section  
16                  402(c)(4)) and as having transferred  
17                  the amount to the eligible retirement  
18                  plan in a direct trustee to trustee  
19                  transfer within 60 days of the dis-  
20                  tribution.

21                  “(III) TREATMENT OF REPAY-  
22                  MENTS FOR DISTRIBUTIONS FROM  
23                  IRAS.—For purposes of this title, if a  
24                  contribution is made pursuant to sub-  
25                  clause (I) with respect to a qualified

1 disaster-relief distribution from an in-  
2 dividual retirement plan, then, to the  
3 extent of the amount of the contribu-  
4 tion, the qualified disaster-relief dis-  
5 tribution shall be treated as a dis-  
6 tribution described in section  
7 408(d)(3) and as having been trans-  
8 ferred to the eligible retirement plan  
9 in a direct trustee to trustee transfer  
10 within 60 days of the distribution.

11 “(IV) APPLICATION TO GOVERN-  
12 MENTAL SECTION 457 PLANS.—In de-  
13 termining whether any distribution is  
14 a qualified disaster-relief distribution  
15 for purposes of this clause, an eligible  
16 deferred compensation plan (as de-  
17 fined in section 457(b)) maintained by  
18 an employer described in section  
19 457(e)(1)(A) shall be treated as a  
20 qualified retirement plan.

21 “(iii) QUALIFIED DISASTER-RELIEF  
22 DISTRIBUTION.—Except as provided in  
23 clause (iv), for purposes of this subpara-  
24 graph, the term ‘qualified disaster-relief  
25 distribution’ means any distribution—

1                   “(I) to an individual who has  
2                   sustained a loss as a result of a major  
3                   disaster declared under section 401 of  
4                   the Robert T. Stafford Disaster Relief  
5                   and Emergency Assistance Act and  
6                   who has a principal place of abode im-  
7                   mediately before the declaration in a  
8                   qualified disaster area, and

9                   “(II) which is made during the 1-  
10                  year period beginning on the date  
11                  such declaration is made.

12                  “(iv) DOLLAR LIMITATION.—

13                  “(I) IN GENERAL.—The term  
14                  ‘qualified disaster-relief distribution’  
15                  shall not include any distributions  
16                  with respect to any major disaster de-  
17                  scribed in clause (iii)(I) to the extent  
18                  the aggregate amount of such dis-  
19                  tributions exceeds \$100,000.

20                  “(II) TREATMENT OF PLAN DIS-  
21                  TRIBUTIONS.—If a distribution to an  
22                  individual with respect to any such  
23                  major disaster would (without regard  
24                  to subclause (I)) be a qualified dis-  
25                  aster-relief distribution, a plan shall

1 not be treated as violating any re-  
2 quirement of this title merely because  
3 it treats such distribution as a quali-  
4 fied disaster-relief distribution, unless  
5 the aggregate amount of such dis-  
6 tributions from all plans maintained  
7 by the employer (and any member of  
8 controlled group which includes the  
9 employer) to such individual with re-  
10 spect to such major disaster exceeds  
11 \$100,000.

12 “(v) QUALIFIED DISASTER AREA.—  
13 For purposes of this subparagraph, the  
14 term ‘qualified disaster area’ means an  
15 area—

16 “(I) with respect to which a  
17 major disaster has been declared by  
18 the President under section 401 of the  
19 Robert T. Stafford Disaster Relief  
20 and Emergency Assistance Act, and

21 “(II) which is determined by the  
22 President to warrant individual assist-  
23 ance, or individual and public assist-  
24 ance, from the Federal Government  
25 under such Act.”.



1 (b) EXEMPTION OF DISTRIBUTIONS FROM TRUSTEE  
2 TO TRUSTEE TRANSFER AND WITHHOLDING RULES.—  
3 Paragraph (4) of section 402(c) (relating to eligible roll-  
4 over distribution) is amended by striking “and” at the end  
5 of subparagraph (B), by striking the period at the end  
6 of subparagraph (C) and inserting “, and”, and by insert-  
7 ing at the end the following new subparagraph:

8 “(D) any qualified disaster-relief distribu-  
9 tion (within the meaning of section  
10 72(t)(2)(G)).”.

11 (c) CONFORMING AMENDMENTS.—

12 (1) Section 401(k)(2)(B)(i) is amended by  
13 striking “or” at the end of subclause (III), by strik-  
14 ing “and” at the end of subclause (IV) and inserting  
15 “or”, and by inserting after subclause (IV) the fol-  
16 lowing new subclause:

17 “(V) the date on which a period  
18 referred to in section  
19 72(t)(2)(G)(iii)(II) begins (but only to  
20 the extent provided in section  
21 72(t)(2)(G)), and”.

22 (2) Section 403(b)(7)(A)(ii) is amended by in-  
23 serting “sustains a loss as a result of a major dis-  
24 aster declared under section 401 of the Robert T.  
25 Stafford Disaster Relief and Emergency Assistance

1 Act (but only to the extent provided in section  
2 72(t)(2)(G)),” before “or”.

3 (3) Section 403(b)(11) is amended by striking  
4 “or” at the end of subparagraph (A), by striking the  
5 period at the end of subparagraph (B) and inserting  
6 “, or”, and by inserting after subparagraph (B) the  
7 following new subparagraph:

8 “(C) for distributions to which section  
9 72(t)(2)(G) applies.”.

10 (4) Section 457(d)(1)(A) is amended by strik-  
11 ing “or” at the end of clause (ii), by adding “or”  
12 at the end of clause (iii), and by adding at the end  
13 the following new clause:

14 “(iv) in the case of an eligible de-  
15 ferred compensation plan established and  
16 maintained by an employer described in  
17 subsection (e)(1)(A), when the participant  
18 sustains a loss as a result of a major dis-  
19 aster declared under section 401 of the  
20 Robert T. Stafford Disaster Relief and  
21 Emergency Assistance Act (but only to the  
22 extent provided in section 72(t)(2)(G)),”.

23 (d) EFFECTIVE DATE.—The amendments made by  
24 this section shall apply to distributions received after Au-  
25 gust 28, 2005.

1 **SEC. 102. INCOME AVERAGING FOR DISASTER-RELIEF DIS-**  
2 **TRIBUTIONS RELATED TO HURRICANE**  
3 **KATRINA.**

4 (a) IN GENERAL.—In the case of any qualified dis-  
5 aster-relief distribution (within the meaning of section  
6 72(t)(2)(G) of the Internal Revenue Code of 1986) from  
7 a qualified retirement plan (as defined in section 4974(c)  
8 of such Code) to a qualified individual, unless the taxpayer  
9 elects not to have this section apply for any taxable year,  
10 any amount required to be included in gross income for  
11 such taxable year shall be so included ratably over the 3-  
12 taxable year period beginning with such taxable year.

13 (b) SPECIAL RULES.—

14 (1) APPLICATION TO GOVERNMENTAL SECTION  
15 457 PLANS.—In determining whether any distribu-  
16 tion is a qualified disaster-relief distribution (as so  
17 defined) for purposes of this section, an eligible de-  
18 ferred compensation plan (as defined in section  
19 457(b) of such Code) maintained by an employer de-  
20 scribed in section 457(e)(1)(A) of such Code shall be  
21 treated as a qualified retirement plan (as so defined)

22 (2) CERTAIN RULES TO APPLY.—Rules similar  
23 to the rules of subparagraph (E) of section  
24 408A(d)(3) of such Code shall apply for purposes of  
25 this section.

1 (c) QUALIFIED INDIVIDUAL.—For purposes of this  
2 section, the term “qualified individual” means an indi-  
3 vidual who has sustained a loss as a result of the major  
4 disaster declared under section 401 of the Robert T. Staf-  
5 ford Disaster Relief and Emergency Assistance Act (42  
6 U.S.C. 5170) in connection with Hurricane Katrina and  
7 who has a principal place of abode immediately before the  
8 declaration in a Hurricane Katrina disaster area.

9 **SEC. 103. RECONTRIBUTIONS OF WITHDRAWALS FOR HOME**  
10 **PURCHASES CANCELLED DUE TO HURRI-**  
11 **CANE KATRINA.**

12 (a) RECONTRIBUTIONS.—

13 (1) IN GENERAL.—Any individual who received  
14 a qualified distribution may, at any time during the  
15 6-month period beginning on the day after the dis-  
16 aster declaration date, make one or more contribu-  
17 tions in an aggregate amount not to exceed the  
18 amount of such qualified distribution to an eligible  
19 retirement plan (as defined in section 402(c)(8)(B)  
20 of the Internal Revenue Code of 1986) of which such  
21 individual is a beneficiary and to which a rollover  
22 contribution of such distribution could be made  
23 under section 402(c), 403(a)(4), 403(b)(8), or  
24 408(d)(3) of such Code, as the case may be.

25 (2) TREATMENT OF REPAYMENTS.—

1           (A) TREATMENT OF REPAYMENTS FOR  
2           DISTRIBUTIONS FROM ELIGIBLE RETIREMENT  
3           PLANS OTHER THAN IRAS.—For purposes of  
4           the Internal Revenue Code of 1986, if a con-  
5           tribution is made pursuant to paragraph (1)  
6           with respect to a qualified distribution from an  
7           eligible retirement plan (as so defined) other  
8           than an individual retirement plan (as defined  
9           in section 7701(a)(37) of such Code), then the  
10          taxpayer shall, to the extent of the amount of  
11          the contribution, be treated as having received  
12          the qualified distribution in an eligible rollover  
13          distribution (as defined in section 402(c)(4) of  
14          such Code) and as having transferred the  
15          amount to the eligible retirement plan in a di-  
16          rect trustee to trustee transfer within 60 days  
17          of the distribution.

18          (B) TREATMENT OF REPAYMENTS FOR  
19          DISTRIBUTIONS FROM IRAS.—For purposes of  
20          the Internal Revenue Code of 1986, if a con-  
21          tribution is made pursuant to paragraph (1)  
22          with respect to a qualified distribution from an  
23          individual retirement plan (as so defined), then,  
24          to the extent of the amount of the contribution,  
25          the qualified distribution shall be treated as a

1 distribution described in section 408(d)(3) of  
2 such Code and as having been transferred to  
3 the eligible retirement plan (as so defined) in a  
4 direct trustee to trustee transfer within 60 days  
5 of the distribution.

6 (b) DEFINITIONS.—For purposes of this section—

7 (1) QUALIFIED DISTRIBUTION.—The term  
8 “qualified distribution” means any distribution—

9 (A) described in section  
10 401(k)(2)(B)(i)(IV), 403(b)(7)(A)(ii) (but only  
11 to the extent such distribution relates to finan-  
12 cial hardship), 403(b)(11)(B), or 72(t)(2)(F) of  
13 the Internal Revenue Code of 1986,

14 (B) received after February 28, 2005, and  
15 before August 29, 2005, and

16 (C) which was to be used to purchase or  
17 construct a principal residence in a Hurricane  
18 Katrina disaster area, but which was not so  
19 purchased or constructed.

20 (2) DISASTER DECLARATION DATE.—The term  
21 “disaster declaration date” means the date on which  
22 the President designated the area as a Hurricane  
23 Katrina disaster area.

1 **SEC. 104. LOANS FROM QUALIFIED PLANS TO VICTIMS OF**  
2 **HURRICANE KATRINA.**

3 (a) INCREASE IN LIMIT ON LOANS NOT TREATED AS  
4 DISTRIBUTIONS.—In the case of any loan from a qualified  
5 employer plan (as defined under section 72(p)(4) of the  
6 Internal Revenue Code of 1986) to a qualified individual  
7 (as defined in section 102(c)) made after the date of en-  
8 actment of this Act and before the date which is 1 year  
9 after the disaster declaration date (as defined in section  
10 103(b)(2))—

11 (1) clause (i) of section 72(p)(2)(A) of such  
12 Code shall be applied by substituting “\$100,000”  
13 for “\$50,000”, and

14 (2) clause (ii) of such section shall be applied  
15 by substituting “the present value of the nonforfeit-  
16 able accrued benefit of the employee under the plan”  
17 for “one-half of the present value of the nonforfeit-  
18 able accrued benefit of the employee under the  
19 plan”.

20 (b) DELAY OF REPAYMENT.—In the case of a quali-  
21 fied individual (as defined in section 102(c)) with an out-  
22 standing loan on or after August 26, 2005, from a quali-  
23 fied employer plan (as defined in section 72(p)(4) of the  
24 Internal Revenue Code of 1986)—

25 (1) if the due date pursuant to subparagraph  
26 (B) or (C) of section 72(p)(2) of such Code for any

1        repayment with respect to such loan occurs during  
2        the period beginning after August 29, 2005, and  
3        ending before August 30, 2006, such due date shall  
4        be delayed for 1 year,

5            (2) any subsequent repayments with respect to  
6        any such loan shall be appropriately adjusted to re-  
7        flect the delay in the due date under paragraph (1)  
8        and any interest accruing during such delay, and

9            (3) in determining the 5-year period and the  
10       term of a loan under subparagraph (B) or (C) of  
11       section 72(p)(2) of such Code, such period shall be  
12       disregarded.

13 **SEC. 105. PROVISIONS RELATING TO PLAN AMENDMENTS.**

14        (a) IN GENERAL.—If this section applies to any plan  
15       or contract amendment such plan or contract shall be  
16       treated as being operated in accordance with the terms  
17       of the plan during the period described in subsection  
18       (b)(2)(A).

19        (b) AMENDMENTS TO WHICH SECTION APPLIES.—

20            (1) IN GENERAL.—This section shall apply to  
21       any amendment to any plan or annuity contract  
22       which is made—

23            (A) pursuant to any amendment made by  
24       this title, or pursuant to any regulation issued



1 by the Secretary of the Treasury or the Sec-  
2 retary of Labor under this title, and

3 (B) on or before the last day of the first  
4 plan year beginning on or after January 1,  
5 2007, or such later date as the Secretary of the  
6 Treasury may prescribe.

7 In the case of a governmental plan (as defined in  
8 section 414(d) of the Internal Revenue Code of  
9 1986), subparagraph (B) shall be applied by sub-  
10 stituting the date which is 2 years after the date  
11 otherwise applied under subparagraph (B).

12 (2) CONDITIONS.—This section shall not apply  
13 to any amendment unless—

14 (A) during the period—

15 (i) beginning on the date the legisla-  
16 tive or regulatory amendment described in  
17 paragraph (1)(A) takes effect (or in the  
18 case of a plan or contract amendment not  
19 required by such legislative or regulatory  
20 amendment, the effective date specified by  
21 the plan), and

22 (ii) ending on the date described in  
23 paragraph (1)(B) (or, if earlier, the date  
24 the plan or contract amendment is adopt-  
25 ed),

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

3                   (B) such plan or contract amendment ap-  
4           plies retroactively for such period.

## 5 **TITLE II—EMPLOYMENT RELIEF**

### 6 **SEC. 201. WORK OPPORTUNITY TAX CREDIT FOR HURRI- 7           CANE KATRINA EMPLOYEE SURVIVORS.**

8           (a) IN GENERAL.—For purposes of section 51 of the  
9 Internal Revenue Code of 1986, a Hurricane Katrina em-  
10 ployee survivor shall be treated as a member of a targeted  
11 group.

12           (b) HURRICANE KATRINA EMPLOYEE SURVIVOR.—  
13 For purposes of this section, the term “Hurricane Katrina  
14 employee survivor” means any individual who is certified  
15 as an individual who—

16                   (1) on August 28, 2005, had a principal place  
17           of abode in a Hurricane Katrina disaster area, and

18                   (2) became unemployed as a result of Hurri-  
19           cane Katrina.

20           (c) SPECIAL RULES FOR DETERMINING CREDIT.—  
21 For purposes of applying subpart F of part IV of sub-  
22 chapter A of chapter 1 of such Code to wages paid or in-  
23 curred to any Hurricane Katrina employee survivor—

24                   (1) section 51(c)(4) of such Code shall not  
25           apply,

1           (2) notwithstanding section 51(d)(12) of such  
2 Code, the certification under subsection (b) shall be  
3 made in such manner and at such time as deter-  
4 mined by the Secretary of the Treasury, except that  
5 the certification shall be made by a person other  
6 than the such employee survivor or the employer  
7 (within the meaning of section 51 of such Code),  
8 and

9           (3) section 51(i)(2) of such Code shall not  
10 apply with respect to the first hire of such employee  
11 survivor, unless such employee survivor was an em-  
12 ployee of the employer on August 28, 2005.

13       (d) APPLICATION OF SECTION.—This section shall  
14 apply to wages (within the meaning on section 51(e) of  
15 such Code) paid or incurred to any individual who begins  
16 work—

17           (1) for an employer during the 1-year period  
18 beginning on August 29, 2005, or

19           (2) in the case of an individual who is being  
20 hired for a position the principal place of employ-  
21 ment of which is located in a Hurricane Katrina dis-  
22 aster area, for any employer during the 3-year pe-  
23 riod beginning on such date.

1 **SEC. 202. EMPLOYEE RETENTION CREDIT FOR EMPLOYERS**  
2 **AFFECTED BY HURRICANE KATRINA.**

3 (a) IN GENERAL.—In the case of an eligible em-  
4 ployer, there shall be allowed as a credit against the tax  
5 imposed by chapter 1 of the Internal Revenue Code of  
6 1986 for the taxable year an amount equal to 40 percent  
7 of the qualified wages with respect to each eligible em-  
8 ployee of such employer for such taxable year. For pur-  
9 poses of the preceding sentence, the amount of qualified  
10 wages which may be taken into account with respect to  
11 any individual shall not exceed \$6,000.

12 (b) DEFINITIONS.—For purposes of this section—

13 (1) ELIGIBLE EMPLOYER.—The term “eligible  
14 employer” means any employer—

15 (A) which conducted an active trade or  
16 business on August 28, 2005, in a Hurricane  
17 Katrina disaster area, and

18 (B) with respect to whom the trade or  
19 business described in subparagraph (A) is inop-  
20 erable on any day after August 28, 2005, and  
21 before January 1, 2006, as a result of damage  
22 sustained in connection with Hurricane  
23 Katrina.

24 (2) ELIGIBLE EMPLOYEE.—The term “eligible  
25 employee” means with respect to an eligible em-  
26 ployer—

1           (A) an employee whose principal place of  
2           employment on August 28, 2005, with such eli-  
3           gible employer was in a Hurricane Katrina dis-  
4           aster area, or

5           (B) a Ready Reserve-National Guard em-  
6           ployee of such eligible employer who is per-  
7           forming qualified active duty and whose prin-  
8           cipal place of employment immediately before  
9           the date on which such employee began per-  
10          forming such qualified active duty was in a  
11          Hurricane Katrina disaster area.

12          (3) QUALIFIED WAGES.—The term “qualified  
13          wages” means wages (as defined in section 51(c)(1)  
14          of the Internal Revenue Code of 1986, but without  
15          regard to section 3306(b)(2)(B) of such Code) paid  
16          or incurred by an eligible employer with respect to  
17          an eligible employee on any day after August 28,  
18          2005, and before January 1, 2006, which occurs  
19          during the period—

20                 (A) beginning on the date on which the  
21                 trade or business described in paragraph (1)  
22                 first became inoperable at the principal place of  
23                 employment of the employee immediately before  
24                 Hurricane Katrina, and

1 (B) ending on the date on which such  
2 trade or business has resumed significant oper-  
3 ations at such principal place of employment.

4 Such term shall include wages paid without regard  
5 to whether the employee performs no services, per-  
6 forms services at a different place of employment  
7 than such principal place of employment, or per-  
8 forms services at such principal place of employment  
9 before significant operations have resumed.

10 (4) READY RESERVE-NATIONAL GUARD EM-  
11 PLOYEE.—The term “Ready Reserve-National  
12 Guard employee” means an employee who is a mem-  
13 ber of the Ready Reserve of a reserve component of  
14 an Armed Force of the United States as described  
15 in section 10142 and 10101 of title 10, United  
16 States Code and who is performing qualified active  
17 duty.

18 (5) QUALIFIED ACTIVE DUTY.—The term  
19 “qualified active duty” means—

20 (A) active duty, other than the training  
21 duty specified in section 10147 of title 10,  
22 United States Code (relating to training re-  
23 quirements for Ready Reserve), or section  
24 502(a) of title 32, United States Code (relating  
25 to required drills and field exercises for the Na-

1           tional Guard), in connection with which an em-  
2           ployee is entitled to reemployment rights and  
3           other benefits or to a leave of absence from em-  
4           ployment under chapter 43 of title 38, United  
5           States Code, and

6                   (B) hospitalization incident to such duty.

7           (c) CERTAIN RULES TO APPLY.—For purposes of  
8 this section, rules similar to the rules of sections 51(i)(1),  
9 52, and 280C(a) of the Internal Revenue Code of 1986  
10 of the shall apply.

11           (d) CREDIT TO BE PART OF GENERAL BUSINESS  
12 CREDIT.—The credit allowed under this section shall be  
13 added to the current year business credit under section  
14 38(b) of the Internal Revenue Code of 1986 and shall be  
15 treated as a credit allowed under subpart D of part IV  
16 of subchapter A of chapter 1 of such Code.

17       **TITLE III—CHARITABLE GIVING**  
18                               **INCENTIVES**

19       **SEC. 301. TEMPORARY INCREASE IN LIMITATION ON INDI-**  
20                               **VIDUAL AND CORPORATE CHARITABLE CASH**  
21                               **CONTRIBUTIONS.**

22           (a) IN GENERAL.—In the case of qualified contribu-  
23 tions made during the period beginning on August 29,  
24 2005, and ending on December 31, 2005, in the case of

1 any taxable year which includes any portion of such pe-  
2 riod—

3 (1) subsection (b)(1)(A) of section 170 of the  
4 Internal Revenue Code of 1986 shall be applied sep-  
5 arately—

6 (A) first without regard to such contribu-  
7 tions, and

8 (B) next with regard to such contributions  
9 by substituting “60 percent of the taxpayer’s  
10 contribution base less the other contributions  
11 allowable under this paragraph for the taxable  
12 year” for “50 percent of the taxpayer’s con-  
13 tribution base for the taxable year”, and

14 (2) subsection (b)(2) of section 170 of such  
15 Code shall be applied separately—

16 (A) first without regard to such contribu-  
17 tions, and

18 (B) next with regard to such contributions  
19 by substituting “15 percent of the taxpayer’s  
20 taxable income less the other charitable con-  
21 tributions allowable for the taxable year” for  
22 “10 percent of the taxpayer’s taxable income”.

23 (b) QUALIFIED CONTRIBUTIONS.—For purposes of  
24 this section, the term “qualified contributions” means any  
25 charitable contributions (as defined in section 170(c) of



1 such Code) made in cash to an organization described in  
2 section 170(b)(1)(A) of such Code.

3 (c) APPLICATION OF CARRYOVER RULES.—For pur-  
4 poses of section 170 of such Code—

5 (1) qualified contributions shall not be taken  
6 into account under section 170(d)(1)(A)(i) of such  
7 Code in determining the amount of the deduction al-  
8 lowable under such section with respect to such con-  
9 tributions, and

10 (2) to the extent qualified contributions in-  
11 crease the amount allowable under section 170 of  
12 such Code by reason of subsection (a), such con-  
13 tributions shall not be taken into account under sec-  
14 tion 170(d) of such Code.

15 (d) FISCAL YEAR TAXPAYERS.—In the case of a tax-  
16 payer whose taxable year ends after August 28, 2005, and  
17 before December 31, 2005, subsection (a) shall apply to  
18 only the one taxable year that the taxpayer elects.

19 **SEC. 302. TAX-FREE DISTRIBUTIONS FROM INDIVIDUAL RE-**  
20 **TIREMENT ACCOUNTS FOR CHARITABLE**  
21 **PURPOSES.**

22 (a) IN GENERAL.—Subsection (d) of section 408 (re-  
23 lating to individual retirement accounts) is amended by  
24 adding at the end the following new paragraph:

1           “(8) DISTRIBUTIONS FOR CHARITABLE PUR-  
2           POSES.—

3                   “(A) IN GENERAL.—No amount shall be  
4           includible in gross income by reason of a quali-  
5           fied charitable distribution.

6                   “(B) QUALIFIED CHARITABLE DISTRIBUTION.—For purposes of this paragraph, the  
7           term ‘qualified charitable distribution’ means  
8           any distribution made after August 28, 2005,  
9           and before January 1, 2006, from an individual  
10          retirement account—

11                           “(i) which is made directly by the  
12           trustee—

13                                   “(I) to an organization described  
14                                   in section 170(c), or

15                                   “(II) to a split-interest entity,  
16                                   and

17                                   “(ii) which is made on or after—

18   “(I) in the case of any distribu-  
19   tion described in clause (i)(I), the  
20   date that the individual for whose  
21   benefit the account is maintained has  
22   attained age 70<sup>1</sup>/<sub>2</sub>, and

23   “(II) in the case of any distribu-  
24   tion described in clause (i)(II), the  
25

1 date that such individual has attained  
2 age 59½.

3 A distribution shall be treated as a qualified  
4 charitable distribution only to the extent that  
5 the distribution would be includible in gross in-  
6 come without regard to subparagraph (A) and,  
7 in the case of a distribution to a split-interest  
8 entity, only if no person holds an income inter-  
9 est in the amounts in the split-interest entity  
10 attributable to such distribution other than one  
11 or more of the following: the individual for  
12 whose benefit such account is maintained, the  
13 spouse of such individual, or any organization  
14 described in section 170(e).

15 “(C) CONTRIBUTIONS MUST BE OTHER-  
16 WISE DEDUCTIBLE.—For purposes of this para-  
17 graph—

18 “(i) DIRECT CONTRIBUTIONS.—A dis-  
19 tribution to an organization described in  
20 section 170(e) shall be treated as a quali-  
21 fied charitable distribution only if a deduc-  
22 tion for the entire distribution would be al-  
23 lowable under section 170 (determined  
24 without regard to subsection (b) thereof  
25 and this paragraph).

1                   “(ii) SPLIT-INTEREST GIFTS.—A dis-  
2                   tribution to a split-interest entity shall be  
3                   treated as a qualified charitable distribu-  
4                   tion only if a deduction for the entire value  
5                   of the interest in the distribution for the  
6                   use of an organization described in section  
7                   170(c) would be allowable under section  
8                   170 (determined without regard to sub-  
9                   section (b) thereof and this paragraph).

10                   “(D) APPLICATION OF SECTION 72.—Not-  
11                   withstanding section 72, in determining the ex-  
12                   tent to which a distribution is a qualified chari-  
13                   table distribution, the entire amount of the dis-  
14                   tribution shall be treated as includible in gross  
15                   income without regard to subparagraph (A) to  
16                   the extent that such amount does not exceed  
17                   the aggregate amount which would have been so  
18                   includible if all amounts were distributed from  
19                   all individual retirement accounts treated as 1  
20                   contract under paragraph (2)(A) for purposes  
21                   of determining the inclusion on such distribu-  
22                   tion under section 72. Proper adjustments shall  
23                   be made in applying section 72 to other dis-  
24                   tributions in such taxable year and subsequent  
25                   taxable years.

1                   “(E) SPECIAL RULES FOR SPLIT-INTEREST  
2 ENTITIES.—

3                   “(i) CHARITABLE REMAINDER  
4 TRUSTS.—Notwithstanding section 664(b),  
5 distributions made from a trust described  
6 in subparagraph (G)(i) shall be treated as  
7 ordinary income in the hands of the bene-  
8 ficiary to whom is paid the annuity de-  
9 scribed in section 664(d)(1)(A) or the pay-  
10 ment described in section 664(d)(2)(A).

11                   “(ii) POOLED INCOME FUNDS.—No  
12 amount shall be includible in the gross in-  
13 come of a pooled income fund (as defined  
14 in subparagraph (G)(ii)) by reason of a  
15 qualified charitable distribution to such  
16 fund, and all distributions from the fund  
17 which are attributable to qualified chari-  
18 table distributions shall be treated as ordi-  
19 nary income to the beneficiary.

20                   “(iii) CHARITABLE GIFT ANNU-  
21 ITIES.—Qualified charitable distributions  
22 made for a charitable gift annuity shall not  
23 be treated as an investment in the con-  
24 tract.

1           “(F) DENIAL OF DEDUCTION.—Qualified  
2           charitable distributions shall not be taken into  
3           account in determining the deduction under sec-  
4           tion 170.

5           “(G) SPLIT-INTEREST ENTITY DEFINED.—  
6           For purposes of this paragraph, the term ‘split-  
7           interest entity’ means—

8                   “(i) a charitable remainder annuity  
9                   trust or a charitable remainder unitrust  
10                  (as such terms are defined in section  
11                  664(d)) which must be funded exclusively  
12                  by qualified charitable distributions,

13                   “(ii) a pooled income fund (as defined  
14                   in section 642(c)(5)), but only if the fund  
15                   accounts separately for amounts attrib-  
16                   utable to qualified charitable distributions,  
17                   and

18                   “(iii) a charitable gift annuity (as de-  
19                   fined in section 501(m)(5)).”.

20           (b) MODIFICATIONS RELATING TO INFORMATION RE-  
21           TURNS BY CERTAIN TRUSTS.—

22                   (1) RETURNS.—Section 6034 (relating to re-  
23                   turns by trusts described in section 4947(a)(2) or  
24                   claiming charitable deductions under section 642(c))  
25                   is amended to read as follows:

1 **“SEC. 6034. RETURNS BY TRUSTS DESCRIBED IN SECTION**  
2 **4947(a)(2) OR CLAIMING CHARITABLE DEDUC-**  
3 **TIONS UNDER SECTION 642(c).**

4 **“(a) TRUSTS DESCRIBED IN SECTION 4947(A)(2).—**  
5 Every trust described in section 4947(a)(2) shall furnish  
6 such information with respect to the taxable year as the  
7 Secretary may by forms or regulations require.

8 **“(b) TRUSTS CLAIMING A CHARITABLE DEDUCTION**  
9 **UNDER SECTION 642(C).—**

10 **“(1) IN GENERAL.—**Every trust not required to  
11 file a return under subsection (a) but claiming a de-  
12 duction under section 642(c) for the taxable year  
13 shall furnish such information with respect to such  
14 taxable year as the Secretary may by forms or regu-  
15 lations prescribe, including—

16 **“(A)** the amount of the deduction taken  
17 under section 642(c) within such year,

18 **“(B)** the amount paid out within such year  
19 which represents amounts for which deductions  
20 under section 642(c) have been taken in prior  
21 years,

22 **“(C)** the amount for which such deductions  
23 have been taken in prior years but which has  
24 not been paid out at the beginning of such year,

1           “(D) the amount paid out of principal in  
2           the current and prior years for the purposes de-  
3           scribed in section 642(c),

4           “(E) the total income of the trust within  
5           such year and the expenses attributable thereto,  
6           and

7           “(F) a balance sheet showing the assets, li-  
8           abilities, and net worth of the trust as of the  
9           beginning of such year.

10          “(2) EXCEPTIONS.—Paragraph (1) shall not  
11          apply to a trust for any taxable year if—

12                 “(A) all the net income for such year, de-  
13                 termined under the applicable principles of the  
14                 law of trusts, is required to be distributed cur-  
15                 rently to the beneficiaries, or

16                 “(B) the trust is described in section  
17                 4947(a)(1).”.

18          (2) INCREASE IN PENALTY RELATING TO FIL-  
19          ING OF INFORMATION RETURN BY SPLIT-INTEREST  
20          TRUSTS.—Paragraph (2) of section 6652(c) (relating  
21          to returns by exempt organizations and by certain  
22          trusts) is amended by adding at the end the fol-  
23          lowing new subparagraph:

24                 “(C) SPLIT-INTEREST TRUSTS.—In the  
25                 case of a trust which is required to file a return



1 under section 6034(a), subparagraphs (A) and  
2 (B) of this paragraph shall not apply and para-  
3 graph (1) shall apply in the same manner as if  
4 such return were required under section 6033,  
5 except that—

6 “(i) the 5 percent limitation in the  
7 second sentence of paragraph (1)(A) shall  
8 not apply,

9 “(ii) in the case of any trust with  
10 gross income in excess of \$250,000, the  
11 first sentence of paragraph (1)(A) shall be  
12 applied by substituting ‘\$100’ for ‘\$20’,  
13 and the second sentence thereof shall be  
14 applied by substituting ‘\$50,000’ for  
15 ‘\$10,000’, and

16 “(iii) the third sentence of paragraph  
17 (1)(A) shall be disregarded.

18 In addition to any penalty imposed on the trust  
19 pursuant to this subparagraph, if the person re-  
20 quired to file such return knowingly fails to file  
21 the return, such penalty shall also be imposed  
22 on such person who shall be personally liable  
23 for such penalty.”.

24 (3) CONFIDENTIALITY OF NONCHARITABLE  
25 BENEFICIARIES.—Subsection (b) of section 6104

1 (relating to inspection of annual information re-  
2 turns) is amended by adding at the end the fol-  
3 lowing new sentence: “In the case of a trust which  
4 is required to file a return under section 6034(a),  
5 this subsection shall not apply to information re-  
6 garding beneficiaries which are not organizations de-  
7 scribed in section 170(c).”.

8 (c) EFFECTIVE DATES.—

9 (1) SUBSECTION (a).—The amendment made  
10 by subsection (a) shall apply to distributions made  
11 after August 28, 2005.

12 (2) SUBSECTION (b).—The amendments made  
13 by subsection (b) shall apply to returns for taxable  
14 years beginning after December 31, 2004.

15 **SEC. 303. CHARITABLE DEDUCTION FOR CONTRIBUTIONS**  
16 **OF FOOD INVENTORIES.**

17 (a) IN GENERAL.—Subsection (e) of section 170 (re-  
18 lating to certain contributions of ordinary income and cap-  
19 ital gain property) is amended by adding at the end the  
20 following new paragraph:

21 “(7) APPLICATION OF PARAGRAPH (3) TO CER-  
22 TAIN CONTRIBUTIONS OF FOOD INVENTORY.—For  
23 purposes of this section—

1           “(A) EXTENSION TO INDIVIDUALS.—In the  
2 case of a charitable contribution of apparently  
3 wholesome food—

4           “(i) paragraph (3)(A) shall be applied  
5 without regard to whether the contribution  
6 is made by a C corporation, and

7           “(ii) in the case of a taxpayer other  
8 than a C corporation, the aggregate  
9 amount of such contributions for any tax-  
10 able year which may be taken into account  
11 under this section shall not exceed 10 per-  
12 cent of the taxpayer’s net income for such  
13 taxable year from all trades or businesses  
14 from which such contributions were made  
15 for such taxable year, computed without  
16 regard to this section.

17           “(B) LIMITATION ON REDUCTION.—In the  
18 case of a charitable contribution of apparently  
19 wholesome food, notwithstanding paragraph  
20 (3)(B), the amount of the reduction determined  
21 under paragraph (1)(A) shall not exceed the  
22 amount by which the fair market value of such  
23 property exceeds twice the basis of such prop-  
24 erty.

1                   “(C) DETERMINATION OF BASIS.—If a  
2 taxpayer—

3                   “(i) does not account for inventories  
4 under section 471, and

5                   “(ii) is not required to capitalize indi-  
6 rect costs under section 263A,

7 the taxpayer may elect, solely for purposes of  
8 paragraph (3)(B), to treat the basis of any ap-  
9 parently wholesome food as being equal to 25  
10 percent of the fair market value of such food.

11                   “(D) DETERMINATION OF FAIR MARKET  
12 VALUE.—In the case of a charitable contribu-  
13 tion of apparently wholesome food which is a  
14 qualified contribution (within the meaning of  
15 paragraph (3), as modified by subparagraph  
16 (A) of this paragraph) and which, solely by rea-  
17 son of internal standards of the taxpayer or  
18 lack of market, cannot or will not be sold, the  
19 fair market value of such contribution shall be  
20 determined—

21                   “(i) without regard to such internal  
22 standards or such lack of market and

23                   “(ii) by taking into account the price  
24 at which the same or substantially the  
25 same food items (as to both type and qual-

1                   ity) are sold by the taxpayer at the time of  
2                   the contribution (or, if not so sold at such  
3                   time, in the recent past).

4                   “(E) APPARENTLY WHOLESOME FOOD.—  
5                   For purposes of this paragraph, the term ‘ap-  
6                   parently wholesome food’ has the meaning given  
7                   such term by section 22(b)(2) of the Bill Emer-  
8                   son Good Samaritan Food Donation Act (42  
9                   U.S.C. 1791(b)(2)), as in effect on the date of  
10                  the enactment of this paragraph.

11                  “(F) APPLICATION.—This paragraph shall  
12                  apply to contributions made after August 28,  
13                  2005, and before January 1, 2006.”.

14                  (b) EFFECTIVE DATE.—The amendment made by  
15                  this section shall apply to contributions made after August  
16                  28, 2005.

17                  **SEC. 304. CHARITABLE DEDUCTION FOR CONTRIBUTIONS**  
18                  **OF BOOK INVENTORIES.**

19                  (a) IN GENERAL.—Section 170(e)(3) (relating to cer-  
20                  tain contributions of ordinary income and capital gain  
21                  property) is amended by redesignating subparagraph (C)  
22                  as subparagraph (D) and by inserting after subparagraph  
23                  (B) the following new subparagraph:

1                   “(C) SPECIAL RULE FOR CONTRIBUTIONS  
2                   OF BOOK INVENTORY FOR EDUCATIONAL PUR-  
3                   POSES.—

4                   “(i) CONTRIBUTIONS OF BOOK INVEN-  
5                   TORY.—In determining whether a qualified  
6                   book contribution is a qualified contribu-  
7                   tion, subparagraph (A) shall be applied  
8                   without regard to whether—

9                   “(I) the donee is an organization  
10                  described in the matter preceding  
11                  clause (i) of subparagraph (A), and

12                  “(II) the property is to be used  
13                  by the donee solely for the care of the  
14                  ill, the needy, or infants.

15                  “(ii) AMOUNT OF REDUCTION.—Not-  
16                  withstanding subparagraph (B), the  
17                  amount of the reduction determined under  
18                  paragraph (1)(A) shall not exceed the  
19                  amount by which the fair market value of  
20                  the contributed property (as determined by  
21                  the taxpayer using a bona fide published  
22                  market price for such book) exceeds twice  
23                  the basis of such property.

24                  “(iii) QUALIFIED BOOK CONTRIBU-  
25                  TION.—For purposes of this paragraph,

1 the term ‘qualified book contribution’  
2 means a charitable contribution of books,  
3 but only if the requirements of clauses (iv)  
4 and (v) are met.

5 “(iv) IDENTITY OF DONEE.—The re-  
6 quirement of this clause is met if the con-  
7 tribution is to an organization—

8 “(I) described in subclause (I) or  
9 (III) of paragraph (6)(B)(i), or

10 “(II) described in section  
11 501(c)(3) and exempt from tax under  
12 section 501(a) (other than a private  
13 foundation, as defined in section  
14 509(a), which is not an operating  
15 foundation, as defined in section  
16 4942(j)(3)), which is organized pri-  
17 marily to make books available to the  
18 general public at no cost or to operate  
19 a literacy program.

20 “(v) CERTIFICATION BY DONEE.—The  
21 requirement of this clause is met if, in ad-  
22 dition to the certifications required by sub-  
23 paragraph (A) (as modified by this sub-  
24 paragraph), the donee certifies in writing  
25 that—

1                   “(I) the books are suitable, in  
2                   terms of currency, content, and quan-  
3                   tity, for use in the donee’s educational  
4                   programs, and

5                   “(II) the donee will use the books  
6                   in its educational programs.

7                   “(vi) BONA FIDE PUBLISHED MARKET  
8                   PRICE.—For purposes of this subpara-  
9                   graph, the term ‘bona fide published mar-  
10                  ket price’ means, with respect to any book,  
11                  a price—

12                  “(I) determined using the same  
13                  printing and edition,

14                  “(II) determined in the usual  
15                  market in which such a book has been  
16                  customarily sold by the taxpayer, and

17                  “(III) for which the taxpayer can  
18                  demonstrate to the satisfaction of the  
19                  Secretary that the taxpayer custom-  
20                  arily sold such books in arm’s length  
21                  transactions within 7 years preceding  
22                  the contribution of such a book.

23                  “(vii) APPLICATION.—This subpara-  
24                  graph shall apply to contributions made



1                   after August 28, 2005, and before January  
2                   1, 2006.”.

3           (b) **EFFECTIVE DATE.**—The amendments made by  
4 this section shall apply to contributions made after August  
5 28, 2005.

6 **SEC. 305. ADDITIONAL PERSONAL EXEMPTION AMOUNT**  
7 **FOR HURRICANE KATRINA HOUSEGUEST.**

8           (a) **IN GENERAL.**—In the case of the a taxpayer’s  
9 taxable year beginning in 2005, the amount allowed as a  
10 deduction in computing taxable income of the taxpayer  
11 under section 151 of the Internal Revenue Code of 1986  
12 shall be increased by the lesser of—

13                   (1) the product of—

14                           (A) \$500, and

15                           (B) the number of Hurricane Katrina  
16 houseguests of the taxpayer, or

17                   (2) \$2,000.

18           (b) **HURRICANE KATRINA HOUSEGUEST.**—For pur-  
19 poses of this section, the term “Hurricane Katrina house-  
20 guest” means any individual—

21                   (1) who would not otherwise qualify for an ex-  
22 emption amount with respect to the taxpayer for the  
23 taxable year,

1           (2) whose principal place of abode in a Hurri-  
2           cane Katrina disaster area was rendered uninhabit-  
3           able after August 28, 2005, and

4           (3) is provided shelter for not less than 60 days  
5           after August 28, 2005, and before January 1, 2006,  
6           by the taxpayer in the taxpayer's principal place of  
7           abode.

8           (c) LIMITATION.—No deduction shall be allowed  
9           under this section if the taxpayer receives any rent or  
10          other amount (from any source) in connection with the  
11          providing of such shelter.

12   **SEC. 306. INCREASE IN STANDARD MILEAGE RATE FOR**  
13                   **CHARITABLE USE OF PASSENGER AUTO-**  
14                   **MOBILE.**

15          Notwithstanding section 170(i) of the Internal Rev-  
16          enue Code of 1986, for purposes of computing the deduc-  
17          tion under section 170 of such Code for use of a passenger  
18          automobile for the period beginning on August 29, 2005,  
19          and ending before January 1, 2006, the standard mileage  
20          rate shall be 60 percent of the standard mileage rate in  
21          effect under section 162(a) of such Code at the time of  
22          such use. Any increase under this section shall be rounded  
23          to the next highest cent.

1           **TITLE IV—ADDITIONAL TAX**  
2                   **RELIEF PROVISIONS**

3   **SEC. 401. EXCLUSIONS OF CERTAIN CANCELLATIONS OF IN-**  
4                   **DEBTEDNESS FOR VICTIMS OF HURRICANE**  
5                   **KATRINA.**

6           (a) **IN GENERAL.**—For purposes of the Internal Rev-  
7   enue Code of 1986, gross income shall not include any  
8   amount which (but for this section) would be includible  
9   in gross income by reason of the discharge (in whole or  
10  in part) of indebtedness of a natural person by an applica-  
11  ble entity (as defined in section 6050P(c)(1)) if the dis-  
12  charge is by reason of the damage sustained by the tax-  
13  payer in connection with Hurricane Katrina.

14          (b) **EXCEPTION.**—Subsection (a) shall not apply to  
15  any indebtedness incurred in connection with a trade or  
16  business.

17          (c) **DENIAL OF DOUBLE BENEFIT.**—The amount ex-  
18  cluded from gross income under subsection (a) shall be  
19  applied to reduce the tax attributes of the taxpayer as pro-  
20  vided in section 108(b) of such Code.

21          (d) **EFFECTIVE DATE.**—This section shall apply to  
22  discharges made on or after August 29, 2005, and before  
23  January 1, 2007.

1 **SEC. 402. MODIFICATION TO CASUALTY LOSS RULES FOR**  
2 **VICTIMS OF HURRICANE KATRINA.**

3 In the case of an individual with a personal casualty  
4 loss which arises in connection with Hurricane Katrina—

5 (1) section 165(h)(2)(A) of the Internal Rev-  
6 enue Code of 1986 shall not apply, and

7 (2) in applying such section to other personal  
8 casualty losses during the taxable year, losses to  
9 which this section applies shall be disregarded.

10 **SEC. 403. REQUIRED EXERCISE OF AUTHORITY UNDER SEC-**  
11 **TION 7508A FOR TAX RELIEF FOR VICTIMS OF**  
12 **HURRICANE KATRINA.**

13 (a) **AUTHORITY INCLUDES SUSPENSION OF PAY-**  
14 **MENT OF EMPLOYMENT AND EXCISE TAXES.**—Subpara-  
15 graphs (A) and (B) of section 7508(a)(1) are amended  
16 to read as follows:

17 “(A) Filing any return of income, estate,  
18 gift, employment, or excise tax;

19 “(B) Payment of any income, estate, gift,  
20 employment, or excise tax or any installment  
21 thereof or of any other liability to the United  
22 States in respect thereof;”.

23 (b) **APPLICATION TO VICTIMS OF HURRICANE**  
24 **KATRINA.**—In the case of any taxpayer determined by the  
25 Secretary of the Treasury to be affected by the Presi-  
26 dentially declared disaster relating to Hurricane Katrina,

1 any relief provided by the Secretary of the Treasury under  
2 section 7508A of the Internal Revenue Code of 1986 shall  
3 be for a period ending not earlier than February 28, 2006,  
4 and shall be treated as applying to the filing of returns  
5 relating to, and the payment of, employment and excise  
6 taxes.

7 (c) EFFECTIVE DATE.—The amendment made by  
8 subsection (a) shall apply for any period for performing  
9 an act which has not expired before August 29, 2005.

10 **SEC. 404. SPECIAL MORTGAGE FINANCING RULES FOR**  
11 **RESIDENCES LOCATED IN HURRICANE**  
12 **KATRINA DISASTER AREA.**

13 In the case of a residence located in a Hurricane  
14 Katrina disaster area, section 143 of the Internal Revenue  
15 Code of 1986 shall be applied with the following modifica-  
16 tions to financing provided with respect to such residence  
17 within 3 years after the date of the disaster declaration:

18 (1) Subsections (d), (e) and (f) of such section  
19 143 shall be applied as if such residence were a tar-  
20 geted area residence.

21 (2) Subsection (f)(3) of such section 143 shall  
22 be applied without regard to subparagraph (A)  
23 thereof.

24 (3) The limitation under subsection (k)(4) of  
25 such section 143 shall be increased (but not above

1       \$150,000) to the extent the qualified home-improve-  
2       ment loan is for the repair of damage caused by  
3       Hurricane Katrina.

4       This section shall apply only with respect to bonds issued  
5       after August 28, 2005, and before August 29, 2008.

6       **SEC. 405. EXTENSION OF REPLACEMENT PERIOD FOR NON-**  
7                   **RECOGNITION OF GAIN FOR PROPERTY LO-**  
8                   **CATED IN HURRICANE KATRINA DISASTER**  
9                   **AREA.**

10       Notwithstanding subsections (g) and (h) of section  
11       1033 of the Internal Revenue Code of 1986, clause (i) of  
12       section 1033(a)(2)(B) of such Code shall be applied by  
13       substituting “5 years” for “2 years” with respect to prop-  
14       erty which is compulsorily or involuntarily converted as  
15       a result of Hurricane Katrina in a Hurricane Katrina dis-  
16       aster area, but only if substantially all of the use of the  
17       replacement property is in such area.

18       **SEC. 406. SPECIAL RULE FOR DETERMINING EARNED IN-**  
19                   **COME.**

20       (a) IN GENERAL.—In the case of a qualified indi-  
21       vidual, if the earned income of the taxpayer for the taxable  
22       year of such taxpayer which includes August 28, 2005,  
23       is less than the earned income which is attributable to the  
24       taxpayer for the preceding taxable year, the credits al-  
25       lowed under sections 24(d) and 32 of the Internal Revenue

1 Code of 1986 may, at the election of the taxpayer, be de-  
2 termined by substituting—

3 (1) such earned income for the preceding tax-  
4 able year, for

5 (2) such earned income for the taxable year  
6 which includes August 28, 2005.

7 (b) QUALIFIED INDIVIDUAL.—For purposes of this  
8 section, the term “qualified individual” means any indi-  
9 vidual who was (as of August 28, 2005) a resident of any  
10 area which is determined by the President to warrant indi-  
11 vidual or individual and public assistance from the Federal  
12 Government under the Robert T. Stafford Disaster Relief  
13 and Emergency Assistance Act by reason of Hurricane  
14 Katrina.

15 (c) EARNED INCOME.—For purposes of this section,  
16 the term “earned income” has the meaning given such  
17 term under section 32(c) of such Code.

18 (d) SPECIAL RULES.—

19 (1) APPLICATION TO JOINT RETURNS.—For  
20 purpose of subsection (a), in the case of a joint re-  
21 turn for a taxable year which includes August 28,  
22 2005,

23 (A) such subsection shall apply if either  
24 spouse is a qualified individual,

1 (B) the earned income which is attrib-  
2 utable to the taxpayer for the preceding taxable  
3 year shall be the sum of the earned income  
4 which is attributable to each spouse for such  
5 preceding taxable year, and

6 (C) the substitution described in such sub-  
7 section shall apply only with respect to earned  
8 income which is attributable to a spouse who is  
9 a qualified individual.

10 (2) UNIFORM APPLICATION OF ELECTION.—  
11 Any election made under subsection (a) shall apply  
12 with respect to both section 24(d) and section 32 of  
13 such Code.

14 (3) ERRORS TREATED AS MATHEMATICAL  
15 ERROR.—For purposes of section 6213 of such  
16 Code, an incorrect use on a return of earned income  
17 pursuant to subsection (a) shall be treated as a  
18 mathematical or clerical error.

19 (4) NO EFFECT ON DETERMINATION OF GROSS  
20 INCOME.—For purposes of the Internal Revenue  
21 Code of 1986, gross income shall be determined  
22 without regard to any substitution under subsection  
23 (a).



1 **SEC. 407. SECRETARIAL AUTHORITY TO MAKE ADJUST-**  
2 **MENTS REGARDING TAXPAYER AND DEPEND-**  
3 **ENCY STATUS.**

4 With respect to taxable years beginning in 2005 or  
5 2006, the Secretary of the Treasury or the Secretary's del-  
6 egate may make such adjustments in the application of  
7 the internal revenue laws as may be necessary to ensure  
8 that taxpayers do not lose any deduction or credit or expe-  
9 rience a change of filing status by reason of temporary  
10 relocations after Hurricane Katrina or by reason of the  
11 receipt of hurricane relief. Any adjustments made under  
12 the preceding sentence shall ensure that an individual is  
13 not taken into account by more than one taxpayer with  
14 respect to the same tax benefit.

15 **TITLE V—ADDITIONAL**  
16 **PROVISIONS**

17 **SEC. 501. DISCLOSURE TO STATE OFFICIALS OF PROPOSED**  
18 **ACTIONS RELATED TO EXEMPT ORGANIZA-**  
19 **TIONS.**

20 (a) IN GENERAL.—Subsection (c) of section 6104 is  
21 amended by striking paragraph (2) and inserting the fol-  
22 lowing new paragraphs:

23 “(2) DISCLOSURE OF PROPOSED ACTIONS RE-  
24 LATED TO CHARITABLE ORGANIZATIONS.—

25 “(A) SPECIFIC NOTIFICATIONS.—In the  
26 case of an organization to which paragraph (1)

1 applies, the Secretary may disclose to the ap-  
2 propriate State officer—

3 “(i) a notice of proposed refusal to  
4 recognize such organization as an organi-  
5 zation described in section 501(c)(3) or a  
6 notice of proposed revocation of such orga-  
7 nization’s recognition as an organization  
8 exempt from taxation,

9 “(ii) the issuance of a letter of pro-  
10 posed deficiency of tax imposed under sec-  
11 tion 507 or chapter 41 or 42, and

12 “(iii) the names, addresses, and tax-  
13 payer identification numbers of organiza-  
14 tions which have applied for recognition as  
15 organizations described in section  
16 501(c)(3).

17 “(B) ADDITIONAL DISCLOSURES.—Returns  
18 and return information of organizations with  
19 respect to which information is disclosed under  
20 subparagraph (A) may be made available for in-  
21 spection by or disclosed to an appropriate State  
22 officer.

23 “(C) PROCEDURES FOR DISCLOSURE.—In-  
24 formation may be inspected or disclosed under  
25 subparagraph (A) or (B) only—

1                   “(i) upon written request by an ap-  
2                   propriate State officer, and

3                   “(ii) for the purpose of, and only to  
4                   the extent necessary in, the administration  
5                   of State laws regulating such organiza-  
6                   tions.

7                   Such information may only be inspected by or  
8                   disclosed to a person other than the appropriate  
9                   State officer if such person is an officer or em-  
10                  ployee of the State and is designated by the ap-  
11                  propriate State officer to receive the returns or  
12                  return information under this paragraph on be-  
13                  half of the appropriate State officer.

14                  “(D) DISCLOSURES OTHER THAN BY RE-  
15                  QUEST.—The Secretary may make available for  
16                  inspection or disclose returns and return infor-  
17                  mation of an organization to which paragraph  
18                  (1) applies to an appropriate State officer of  
19                  any State if the Secretary determines that such  
20                  inspection or disclosure may facilitate the reso-  
21                  lution of Federal or State issues relating to the  
22                  tax-exempt status of such organization.

23                  “(3) DISCLOSURE WITH RESPECT TO CERTAIN  
24                  OTHER EXEMPT ORGANIZATIONS.—Upon written re-  
25                  quest by an appropriate State officer, the Secretary

1        may make available for inspection or disclosure re-  
2        turns and return information of an organization de-  
3        scribed in paragraph (2), (4), (6), (7), (8), (10), or  
4        (13) of section 501(c) for the purpose of, and to the  
5        extent necessary in, the administration of State laws  
6        regulating the solicitation or administration of the  
7        charitable funds or charitable assets of such organi-  
8        zations. Such information may only be inspected by  
9        or disclosed to a person other than the appropriate  
10       State officer if such person is an officer or employee  
11       of the State and is designated by the appropriate  
12       State officer to receive the returns or return infor-  
13       mation under this paragraph on behalf of the appro-  
14       priate State officer.

15            “(4) USE IN CIVIL JUDICIAL AND ADMINISTRA-  
16        TIVE PROCEEDINGS.—Returns and return informa-  
17        tion disclosed pursuant to this subsection may be  
18        disclosed in civil administrative and civil judicial pro-  
19        ceedings pertaining to the enforcement of State laws  
20        regulating such organizations in a manner pre-  
21        scribed by the Secretary similar to that for tax ad-  
22        ministration proceedings under section 6103(h)(4).

23            “(5) NO DISCLOSURE IF IMPAIRMENT.—Re-  
24        turns and return information shall not be disclosed  
25        under this subsection, or in any proceeding described

1 in paragraph (4), to the extent that the Secretary  
2 determines that such disclosure would seriously im-  
3 pair Federal tax administration.

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

6 “(A) RETURN AND RETURN INFORMA-  
7 TION.—The terms ‘return’ and ‘return informa-  
8 tion’ have the respective meanings given to such  
9 terms by section 6103(b).

10 “(B) APPROPRIATE STATE OFFICER.—The  
11 term ‘appropriate State officer’ means—

12 “(i) the State attorney general,

13 “(ii) the State tax officer,

14 “(iii) in the case of an organization to  
15 which paragraph (1) applies, any other  
16 State official charged with overseeing orga-  
17 nizations of the type described in section  
18 501(e)(3), and

19 “(iv) in the case of an organization to  
20 which paragraph (3) applies, the head of  
21 an agency designated by the State attorney  
22 general as having primary responsibility  
23 for overseeing the solicitation of funds for  
24 charitable purposes.”.

25 (b) CONFORMING AMENDMENTS.—

1           (1) Subparagraph (A) of section 6103(p)(3) is  
2           amended by inserting “and section 6104(c)” after  
3           “section” in the first sentence.

4           (2) Paragraph (4) of section 6103(p) is amend-  
5           ed—

6                   (A) in the matter preceding subparagraph  
7                   (A), by inserting “, or any appropriate State of-  
8                   ficer (as defined in section 6104(c)),” before  
9                   “or any other person”,

10                   (B) in subparagraph (F)(i), by inserting  
11                   “or any appropriate State officer (as defined in  
12                   section 6104(c)),” before “or any other per-  
13                   son”, and

14                   (C) in the matter following subparagraph  
15                   (F), by inserting “, an appropriate State officer  
16                   (as defined in section 6104(c)),” after “includ-  
17                   ing an agency” each place it appears.

18           (3) The heading for paragraph (1) of section  
19           6104(e) is amended by inserting “FOR CHARITABLE  
20           ORGANIZATIONS” after “RULE”.

21           (4) Paragraph (2) of section 7213(a) is amend-  
22           ed by inserting “or under section 6104(c)” after  
23           “6103”.

24           (5) Paragraph (2) of section 7213A(a) is  
25           amended by inserting “or 6104(c)” after “6103”.

1           (6) Paragraph (2) of section 7431(a) is amend-  
2           ed by inserting “(including any disclosure in viola-  
3           tion of section 6104(c))” after “6103”.

4           (c) EFFECTIVE DATE.—The amendments made by  
5 this section shall take effect on the date of the enactment  
6 of this Act but shall not apply to requests made before  
7 such date.

8   **SEC. 502. DEDICATION AND USE OF CERTAIN FEES.**

9           Notwithstanding section 202(c) of Public Law 108–  
10 89, the Secretary of the Treasury may retain and use fees  
11 from employee plan and exempt organization letter rulings  
12 and determination letters charged under section 7528 of  
13 the Internal Revenue Code of 1986—

14           (1) in fiscal years 2005 and 2006—

15                   (A) for the administration of the provisions  
16                   of, and amendments made by, this Act,

17                   (B) to provide taxpayer assistance to any  
18                   taxpayer determined by the Secretary of the  
19                   Treasury to be affected by the Presidentially  
20                   declared disaster relating to Hurricane Katrina,  
21                   and

22                   (C) to aid the Internal Revenue Service in  
23                   repairing, rebuilding, and recovering from the  
24                   damage to Internal Revenue Service offices,

1 equipment, and support caused by Hurricane  
2 Katrina, and  
3 (2) in any fiscal year after 2006—  
4 (A) on oversight, enforcement, and admin-  
5 istration by the Tax-Exempt and Government  
6 Entities Division of the Internal Revenue Serv-  
7 ice, and  
8 (B) on oversight, enforcement, and admin-  
9 istration of section 170 of such Code.