

In the House of Representatives, U. S.,

December 13, 2001.

Resolved, That the House agree to the amendments of the Senate to the bill (H.R. 2884) entitled “An Act to amend the Internal Revenue Code of 1986 to provide tax relief for victims of the terrorist attacks against the United States on September 11, 2001”, with the following

HOUSE AMENDMENT TO SENATE AMENDMENTS:

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

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

2 (a) *SHORT TITLE.—This Act may be cited as the “Victims of Terrorism Tax Relief Act of 2001”.*

4 (b) *AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.*

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

Sec. 1. Short title; etc.

TITLE I—RELIEF PROVISIONS FOR VICTIMS OF TERRORIST ATTACKS

- Sec. 101. Income taxes of victims of terrorist attacks.*
- Sec. 102. Exclusion of certain death benefits.*
- Sec. 103. Estate tax reduction.*
- Sec. 104. Payments by charitable organizations treated as exempt payments.*

TITLE II—OTHER RELIEF PROVISIONS

- Sec. 201. Exclusion for disaster relief payments.*
- Sec. 202. Authority to postpone certain deadlines and required actions.*
- Sec. 203. Application of certain provisions to terroristic or military actions.*
- Sec. 204. Clarification of due date for airline excise tax deposits.*
- Sec. 205. Treatment of certain structured settlement payments.*
- Sec. 206. Personal exemption deduction for certain disability trusts.*

TITLE III—TAX BENEFITS FOR AREA OF NEW YORK CITY DAMAGED IN TERRORIST ATTACKS ON SEPTEMBER 11, 2001

- Sec. 301. Tax benefits for area of New York City damaged in terrorist attacks on September 11, 2001.*

TITLE IV—DISCLOSURE OF TAX INFORMATION IN TERRORISM AND NATIONAL SECURITY INVESTIGATIONS

- Sec. 401. Disclosure of tax information in terrorism and national security investigations.*

TITLE V—NO IMPACT ON SOCIAL SECURITY TRUST FUNDS

- Sec. 501. No impact on social security trust funds.*

1 *TITLE I—RELIEF PROVISIONS*****
2 *FOR VICTIMS OF TERRORIST*****
3 *ATTACKS*****

4 *SEC. 101. INCOME TAXES OF VICTIMS OF TERRORIST AT-*****

5 *TACKS.*****

6 *(a) IN GENERAL.—Section 692 (relating to income*

7 taxes of members of Armed Forces on death) is amended

8 by adding at the end the following new subsection:

9 *“(d) INDIVIDUALS DYING AS A RESULT OF CERTAIN*

10 *ATTACKS.—*

1 “(1) *IN GENERAL.*—*In the case of a specified ter-*
2 *rorist victim, any tax imposed by this chapter shall*
3 *not apply—*

4 “(A) *with respect to the taxable year in*
5 *which falls the date of death, and*

6 “(B) *with respect to any prior taxable year*
7 *in the period beginning with the last taxable*
8 *year ending before the taxable year in which the*
9 *wounds, injury, or illness referred to in para-*
10 *graph (2) were incurred.*

11 “(2) *SPECIFIED TERRORIST VICTIM.*—*For pur-*
12 *poses of this subsection, the term ‘specified terrorist*
13 *victim’ means any decedent—*

14 “(A) *who dies as a result of wounds or in-*
15 *jury incurred as a result of the terrorist attacks*
16 *against the United States on April 19, 1995, or*
17 *September 11, 2001, or*

18 “(B) *who dies as a result of illness incurred*
19 *as a result of an attack involving anthrax occur-*
20 *ring on or after September 11, 2001, and before*
21 *January 1, 2002.*

22 *Such term shall not include any individual identified*
23 *by the Attorney General to have been a participant*
24 *or conspirator in any such attack or a representative*
25 *of such an individual.”.*

1 (b) CONFORMING AMENDMENTS.—

2 (1) *Section 5(b)(1) is amended by inserting “and*
3 *victims of certain terrorist attacks” before “on death”.*

4 (2) *Section 6013(f)(2)(B) is amended by insert-*
5 *ing “and victims of certain terrorist attacks” before*
6 *“on death”.*

7 (c) CLERICAL AMENDMENTS.—

8 (1) *The heading of section 692 is amended to*
9 *read as follows:*

10 **“SEC. 692. INCOME TAXES OF MEMBERS OF ARMED FORCES**
11 **AND VICTIMS OF CERTAIN TERRORIST AT-**
12 **TACKS ON DEATH.”.**

13 (2) *The item relating to section 692 in the table*
14 *of sections for part II of subchapter J of chapter 1 is*
15 *amended to read as follows:*

“Sec. 692. Income taxes of members of Armed Forces and victims
of certain terrorist attacks on death.”.

16 (d) EFFECTIVE DATE; WAIVER OF LIMITATIONS.—

17 (1) *EFFECTIVE DATE.—The amendments made*
18 *by this section shall apply to taxable years ending be-*
19 *fore, on, or after September 11, 2001.*

20 (2) *WAIVER OF LIMITATIONS.—If refund or cred-*
21 *it of any overpayment of tax resulting from the*
22 *amendments made by this section is prevented at any*
23 *time before the close of the 1-year period beginning on*
24 *the date of the enactment of this Act by the operation*

1 *of any law or rule of law (including res judicata),*
2 *such refund or credit may nevertheless be made or al-*
3 *lowed if claim therefor is filed before the close of such*
4 *period.*

5 **SEC. 102. EXCLUSION OF CERTAIN DEATH BENEFITS.**

6 (a) *IN GENERAL.*—Section 101 (relating to certain
7 death benefits) is amended by adding at the end the fol-
8 lowing new subsection:

9 “(i) *CERTAIN EMPLOYEE DEATH BENEFITS PAYABLE*
10 *BY REASON OF DEATH OF CERTAIN TERRORIST VICTIMS.*—

11 “(1) *IN GENERAL.*—Gross income does not in-
12 clude amounts (whether in a single sum or otherwise)
13 paid by an employer by reason of the death of an em-
14 ployee who is a specified terrorist victim (as defined
15 in section 692(d)(2)).

16 “(2) *LIMITATION.*—Subject to such rules as the
17 Secretary may prescribe, paragraph (1) shall not
18 apply to amounts which would have been payable if
19 the individual had died other than as a specified ter-
20 rorist victim (as so defined).

21 “(3) *TREATMENT OF SELF-EMPLOYED INDIVID-*
22 *UALS.*—For purposes of paragraph (1), the term ‘em-
23 ployee’ includes a self-employed individual (as de-
24 fined in section 401(c)(1)).”

25 (b) *EFFECTIVE DATE; WAIVER OF LIMITATIONS.*—

(1) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years ending before, on, or after September 11, 2001.

13 SEC. 103. ESTATE TAX REDUCTION.

14 (a) IN GENERAL.—Section 2201 is amended to read
15 as follows:

“(a) *IN GENERAL.*—Unless the executor elects not to have this section apply, in applying sections 2001 and 2101 to the estate of a qualified decedent, the rate schedule set forth in subsection (c) shall be deemed to be the rate schedule set forth in section 2001(c).

24 "(b) *QUALIFIED DECEDENT*.—For purposes of this sec-
25 tion, the term 'qualified decedent' means—

1 “(1) any citizen or resident of the United States
 2 dying while in active service of the Armed Forces of
 3 the United States, if such decedent—

4 “(A) was killed in action while serving in
 5 a combat zone, as determined under section
 6 112(c), or

7 “(B) died as a result of wounds, disease, or
 8 injury suffered while serving in a combat zone
 9 (as determined under section 112(c)), and while
 10 in the line of duty, by reason of a hazard to
 11 which such decedent was subjected as an incident
 12 of such service, and

13 “(2) any specified terrorist victim (as defined in
 14 section 692(d)(2)).

15 “(c) RATE SCHEDULE.—

“If the amount with respect to which the tentative tax to be computed is:

Not over \$150,000	1 percent of the amount by which such amount exceeds \$100,000.
Over \$150,000 but not over \$200,000.	\$500 plus 2 percent of the excess over \$150,000.
Over \$200,000 but not over \$300,000.	\$1,500 plus 3 percent of the excess over \$200,000.
Over \$300,000 but not over \$500,000.	\$4,500 plus 4 percent of the excess over \$300,000.
Over \$500,000 but not over \$700,000.	\$12,500 plus 5 percent of the excess over \$500,000.
Over \$700,000 but not over \$900,000.	\$22,500 plus 6 percent of the excess over \$700,000.
Over \$900,000 but not over \$1,100,000.	\$34,500 plus 7 percent of the excess over \$900,000.
Over \$1,100,000 but not over \$1,600,000.	\$48,500 plus 8 percent of the excess over \$1,100,000.
Over \$1,600,000 but not over \$2,100,000.	\$88,500 plus 9 percent of the excess over \$1,600,000.

If the amount with respect to which the tentative tax to be computed is:

<i>The tentative tax is:</i>	
Over \$2,100,000 but not over \$2,600,000.	\$133,500 plus 10 percent of the excess over \$2,100,000.
Over \$2,600,000 but not over \$3,100,000.	\$183,500 plus 11 percent of the excess over \$2,600,000.
Over \$3,100,000 but not over \$3,600,000.	\$238,500 plus 12 percent of the excess over \$3,100,000.
Over \$3,600,000 but not over \$4,100,000.	\$298,500 plus 13 percent of the excess over \$3,600,000.
Over \$4,100,000 but not over \$5,100,000.	\$363,500 plus 14 percent of the excess over \$4,100,000.
Over \$5,100,000 but not over \$6,100,000.	\$503,500 plus 15 percent of the excess over \$5,100,000.
Over \$6,100,000 but not over \$7,100,000.	\$653,500 plus 16 percent of the excess over \$6,100,000.
Over \$7,100,000 but not over \$8,100,000.	\$813,500 plus 17 percent of the excess over \$7,100,000.
Over \$8,100,000 but not over \$9,100,000.	\$983,500 plus 18 percent of the excess over \$8,100,000.
Over \$9,100,000 but not over \$10,100,000.	\$1,163,500 plus 19 percent of the excess over \$9,100,000.
Over \$10,100,000	\$1,353,500 plus 20 percent of the excess over \$10,100,000.

1 “(d) DETERMINATION OF UNIFIED CREDIT.—In the
 2 case of an estate to which this section applies, subsection
 3 (a) shall not apply in determining the credit under section
 4 2010.”.

5 (b) CONFORMING AMENDMENTS.—

6 (1) Section 2011 is amended by striking sub-
 7 section (d) and by redesignating subsections (e), (f),
 8 and (g) as subsections (d), (e), and (f), respectively.

9 (2) Section 2053(d)(3)(B) is amended by strik-
 10 ing “section 2011(e)” and inserting “section
 11 2011(d)”.

12 (3) Paragraph (9) of section 532(c) of the Eco-
 13 nomic Growth and Tax Relief Reconciliation Act of
 14 2001 is repealed.

1 (c) CLERICAL AMENDMENT.—The item relating to sec-
2 tion 2201 in the table of sections for subchapter C of chapter
3 11 is amended to read as follows:

“Sec. 2201. Combat zone-related deaths of members of the Armed Forces and deaths of victims of certain terrorist attacks.”.

4 (d) *EFFECTIVE DATE; WAIVER OF LIMITATIONS.*—

5 (1) EFFECTIVE DATE.—The amendments made
6 by this section shall apply to estates of decedents—

(B) in the case of individuals dying as a result of the April 19, 1995, terrorist attack, dying on or after April 19, 1995.

(2) WAIVER OF LIMITATIONS.—*If refund or credit of any overpayment of tax resulting from the amendments made by this section is prevented at any time before the close of the 1-year period beginning on the date of the enactment of this Act by the operation of any law or rule of law (including res judicata), such refund or credit may nevertheless be made or allowed if claim therefor is filed before the close of such period.*

21 SEC. 104. PAYMENTS BY CHARITABLE ORGANIZATIONS
22 TREATED AS EXEMPT PAYMENTS.

23 (a) *IN GENERAL.*—For purposes of the Internal Rev-
24 enue Code of 1986—

1 (1) payments made by an organization described
2 in section 501(c)(3) of such Code by reason of the
3 death, injury, wounding, or illness of an individual
4 incurred as the result of the terrorist attacks against
5 the United States on September 11, 2001, or an at-
6 tack involving anthrax occurring on or after Sep-
7 tember 11, 2001, and before January 1, 2002, shall
8 be treated as related to the purpose or function consti-
9 tuting the basis for such organization's exemption
10 under section 501 of such Code if such payments are
11 made—

12 (A) in good faith using a reasonable and
13 objective formula which is consistently applied,
14 and

15 (B) in furtherance of public rather than
16 private purposes, and

17 (2) in the case of a private foundation (as de-
18 fined in section 509 of such Code), any payment de-
19 scribed in paragraph (1) shall not be treated as made
20 to a disqualified person for purposes of section 4941
21 of such Code.

22 (b) *EFFECTIVE DATE.*—This section shall apply to
23 payments made on or after September 11, 2001.

1 **TITLE II—OTHER RELIEF
2 PROVISIONS**

3 **SEC. 201. EXCLUSION FOR DISASTER RELIEF PAYMENTS.**

4 (a) *IN GENERAL.*—Part III of subchapter B of chapter
5 1 (relating to items specifically excluded from gross income)
6 is amended by redesignating section 139 as section 140 and
7 inserting after section 138 the following new section:

8 **“SEC. 139. DISASTER RELIEF PAYMENTS.**

9 “(a) *GENERAL RULE.*—Gross income shall not include
10 any amount received by an individual as a qualified dis-
11 aster relief payment.

12 “(b) *QUALIFIED DISASTER RELIEF PAYMENT DE-
13 FINED.*—For purposes of this section, the term ‘qualified
14 disaster relief payment’ means any amount paid to or for
15 the benefit of an individual—

16 “(1) to reimburse or pay reasonable and nec-
17 essary personal, family, living, or funeral expenses
18 incurred as a result of a qualified disaster,

19 “(2) to reimburse or pay reasonable and nec-
20 essary expenses incurred for the repair or rehabilita-
21 tion of a personal residence or repair or replacement
22 of its contents to the extent that the need for such re-
23 pair, rehabilitation, or replacement is attributable to
24 a qualified disaster,

1 “(3) by a person engaged in the furnishing or
2 sale of transportation as a common carrier by reason
3 of the death or personal physical injuries incurred as
4 a result of a qualified disaster, or

5 “(4) if such amount is paid by a Federal, State,
6 or local government, or agency or instrumentality
7 thereof, in connection with a qualified disaster in
8 order to promote the general welfare,

9 but only to the extent any expense compensated by such
10 payment is not otherwise compensated for by insurance or
11 otherwise.

12 “(c) *QUALIFIED DISASTER DEFINED.*—For purposes
13 of this section, the term ‘qualified disaster’ means—

14 “(1) a disaster which results from a terroristic or
15 military action (as defined in section 692(c)(2)),

16 “(2) a Presidentially declared disaster (as de-
17 fined in section 1033(h)(3)),

18 “(3) a disaster which results from an accident
19 involving a common carrier, or from any other event,
20 which is determined by the Secretary to be of a cata-
21 strophic nature, or

22 “(4) with respect to amounts described in sub-
23 section (b)(4), a disaster which is determined by an
24 applicable Federal, State, or local authority (as deter-
25 mined by the Secretary) to warrant assistance from

1 *the Federal, State, or local government or agency or*
2 *instrumentality thereof.*

3 “(d) COORDINATION WITH EMPLOYMENT TAXES.—For
4 purposes of chapter 2 and subtitle C, a qualified disaster
5 relief payment shall not be treated as net earnings from
6 self-employment, wages, or compensation subject to tax.

7 “(e) NO RELIEF FOR CERTAIN INDIVIDUALS.—Sub-
8 sections (a) and (f) shall not apply with respect to any indi-
9 vidual identified by the Attorney General to have been a
10 participant or conspirator in a terroristic action (as so de-
11 fined), or a representative of such individual.

12 “(f) EXCLUSION OF CERTAIN ADDITIONAL PAY-
13 MENTS.—Gross income shall not include any amount re-
14 ceived as payment under section 406 of the Air Transpor-
15 tation Safety and System Stabilization Act.”

16 (b) CONFORMING AMENDMENTS.—The table of sections
17 for part III of subchapter B of chapter 1 is amended by
18 striking the item relating to section 139 and inserting the
19 following new items:

“Sec. 139. Disaster relief payments.
“Sec. 140. Cross references to other Acts.”.

20 (c) EFFECTIVE DATE.—The amendments made by this
21 section shall apply to taxable years ending on or after Sep-
22 tember 11, 2001.

1 **SEC. 202. AUTHORITY TO POSTPONE CERTAIN DEADLINES**2 **AND REQUIRED ACTIONS.**

3 (a) EXPANSION OF AUTHORITY RELATING TO DISAS-
4 TERS AND TERRORISTIC OR MILITARY ACTIONS.—Section
5 7508A is amended to read as follows:

6 **SEC. 7508A. AUTHORITY TO POSTPONE CERTAIN DEAD-
7 LINES BY REASON OF PRESIDENTIALLY DE-
8 CLARED DISASTER OR TERRORISTIC OR MILI-
9 TARY ACTIONS.**

10 “(a) IN GENERAL.—In the case of a taxpayer deter-
11 mined by the Secretary to be affected by a Presidentially
12 declared disaster (as defined in section 1033(h)(3)) or a ter-
13 roristic or military action (as defined in section 692(c)(2)),
14 the Secretary may specify a period of up to one year that
15 may be disregarded in determining, under the internal rev-
16 enue laws, in respect of any tax liability of such taxpayer—

17 “(1) whether any of the acts described in para-
18 graph (1) of section 7508(a) were performed within
19 the time prescribed therefor (determined without re-
20 gard to extension under any other provision of this
21 subtitle for periods after the date (determined by the
22 Secretary) of such disaster or action),

23 “(2) the amount of any interest, penalty, addi-
24 tional amount, or addition to the tax for periods after
25 such date, and

26 “(3) the amount of any credit or refund.

1 “(b) *SPECIAL RULES REGARDING PENSIONS, ETC.*—
2 *In the case of a pension or other employee benefit plan, or*
3 *any sponsor, administrator, participant, beneficiary, or*
4 *other person with respect to such plan, affected by a disaster*
5 *or action described in subsection (a), the Secretary may*
6 *specify a period of up to one year which may be disregarded*
7 *in determining the date by which any action is required*
8 *or permitted to be completed under this title. No plan shall*
9 *be treated as failing to be operated in accordance with the*
10 *terms of the plan solely as the result of disregarding any*
11 *period by reason of the preceding sentence.*

12 “(c) *SPECIAL RULES FOR OVERPAYMENTS.*—*The rules*
13 *of section 7508(b) shall apply for purposes of this section.”.*

14 (b) *CLARIFICATION OF SCOPE OF ACTS SECRETARY*
15 *MAY POSTPONE.*—*Section 7508(a)(1)(K) (relating to time*
16 *to be disregarded) is amended by striking “in regulations*
17 *prescribed under this section”.*

18 (c) *CONFORMING AMENDMENTS TO ERISA.*—

19 (1) *Part 5 of subtitle B of title I of the Employee*
20 *Retirement Income Security Act of 1974 (29 U.S.C.*
21 *1131 et seq.) is amended by adding at the end the fol-*
22 *lowing new section:*

1 **“SEC. 518. AUTHORITY TO POSTPONE CERTAIN DEADLINES**
2 **BY REASON OF PRESIDENTIALLY DECLARED**
3 **DISASTER OR TERRORISTIC OR MILITARY AC-**
4 **TIONS.**

5 *“In the case of a pension or other employee benefit*
6 *plan, or any sponsor, administrator, participant, bene-*
7 *ficiary, or other person with respect to such plan, affected*
8 *by a Presidentially declared disaster (as defined in section*
9 *1033(h)(3) of the Internal Revenue Code of 1986) or a ter-*
10 *roristic or military action (as defined in section 692(c)(2)*
11 *of such Code), the Secretary may, notwithstanding any*
12 *other provision of law, prescribe, by notice or otherwise, a*
13 *period of up to one year which may be disregarded in deter-*
14 *mining the date by which any action is required or per-*
15 *mitted to be completed under this Act. No plan shall be*
16 *treated as failing to be operated in accordance with the*
17 *terms of the plan solely as the result of disregarding any*
18 *period by reason of the preceding sentence.”.*

19 *(2) Section 4002 of Employee Retirement Income*
20 *Security Act of 1974 (29 U.S.C. 1302) is amended by*
21 *adding at the end the following new subsection:*

22 *“(i) SPECIAL RULES REGARDING DISASTERS, ETC.—*
23 *In the case of a pension or other employee benefit plan, or*
24 *any sponsor, administrator, participant, beneficiary, or*
25 *other person with respect to such plan, affected by a Presi-*
26 *dentially declared disaster (as defined in section 1033(h)(3)*

1 *of the Internal Revenue Code of 1986) or a terroristic or*
2 *military action (as defined in section 692(c)(2) of such*
3 *Code), the corporation may, notwithstanding any other pro-*
4 *vision of law, prescribe, by notice or otherwise, a period*
5 *of up to one year which may be disregarded in determining*
6 *the date by which any action is required or permitted to*
7 *be completed under this Act. No plan shall be treated as*
8 *failing to be operated in accordance with the terms of the*
9 *plan solely as the result of disregarding any period by rea-*
10 *son of the preceding sentence.”.*

11 (d) ADDITIONAL CONFORMING AMENDMENTS.—

12 (1) Section 6404 is amended—

13 (A) by striking subsection (h),
14 (B) by redesignating subsection (i) as sub-
15 section (h), and
16 (C) by adding at the end the following new
17 subsection:

18 “(i) CROSS REFERENCE.—

“**For authority to suspend running of interest, etc.
by reason of Presidentially declared disaster or ter-
roristic or military action, see section 7508A.**”.

19 (2) Section 6081(c) is amended to read as fol-
20 lows:

1 “(c) CROSS REFERENCES.—

“For time for performing certain acts postponed by reason of war, see section 7508, and by reason of Presidentially declared disaster or terroristic or military action, see section 7508A.”.

2 (3) Section 6161(d) is amended by adding at the
3 end the following new paragraph:

4 “(3) POSTPONEMENT OF CERTAIN ACTS.—

“For time for performing certain acts postponed by reason of war, see section 7508, and by reason of Presidentially declared disaster or terroristic or military action, see section 7508A.”.

5 (d) CLERICAL AMENDMENTS.—

6 (1) The item relating to section 7508A in the
7 table of sections for chapter 77 is amended to read as
8 follows:

“Sec. 7508A. Authority to postpone certain deadlines by reason of Presidentially declared disaster or terroristic or military actions.”.

9 (2) The table of contents for the Employee Re-
10 tirement Income Security Act of 1974 is amended by
11 inserting after the item relating to section 517 the fol-
12 lowing new item:

“Sec. 518. Authority to postpone certain deadlines by reason of Presidentially declared disaster or terroristic or military actions.”.

13 (e) EFFECTIVE DATE.—The amendments made by this
14 section shall apply to disasters and terroristic or military
15 actions occurring on or after September 11, 2001, with re-
16 spect to any action of the Secretary of the Treasury, the
17 Secretary of Labor, or the Pension Benefit Guaranty Cor-

1 poration occurring on or after the date of the enactment
2 of this Act.

3 **SEC. 203. APPLICATION OF CERTAIN PROVISIONS TO TER-**
4 **RORISTIC OR MILITARY ACTIONS.**

5 (a) *DISABILITY INCOME*.—Section 104(a)(5) (relating
6 to compensation for injuries or sickness) is amended by
7 striking “a violent attack” and all that follows through the
8 period and inserting “a terroristic or military action (as
9 defined in section 692(c)(2)).”.

10 (b) *EXEMPTION FROM INCOME TAX FOR CERTAIN
11 MILITARY OR CIVILIAN EMPLOYEES*.—Section 692(c) is
12 amended—

13 (1) by striking “outside the United States” in
14 paragraph (1), and

15 (2) by striking “SUSTAINED OVERSEAS” in the
16 heading.

17 (c) *EFFECTIVE DATE*.—The amendments made by this
18 section shall apply to taxable years ending on or after Sep-
19 tember 11, 2001.

20 **SEC. 204. CLARIFICATION OF DUE DATE FOR AIRLINE EX-**
21 **CISE TAX DEPOSITS.**

22 (a) *IN GENERAL*.—Paragraph (3) of section 301(a) of
23 the Air Transportation Safety and System Stabilization
24 Act (Public Law 107-42) is amended to read as follows:

1 “(3) AIRLINE-RELATED DEPOSIT.—For purposes
2 of this subsection, the term ‘airline-related deposit’
3 means any deposit of taxes imposed by subchapter C
4 of chapter 33 of such Code (relating to transportation
5 by air).”.

6 (b) EFFECTIVE DATE.—The amendment made by this
7 section shall take effect as if included in section 301 of the
8 Air Transportation Safety and System Stabilization Act
9 (Public Law 107–42).

10 **SEC. 205. TREATMENT OF CERTAIN STRUCTURED SETTLE-
11 MENT PAYMENTS.**

12 (a) IN GENERAL.—Subtitle E is amended by adding
13 at the end the following new chapter:

14 **“CHAPTER 55—STRUCTURED SETTLEMENT
15 FACTORING TRANSACTIONS**

“Sec. 5891. Structured settlement factoring transactions.

16 **“SEC. 5891. STRUCTURED SETTLEMENT FACTORING TRANS-
17 ACTIONS.**

18 “(a) IMPOSITION OF TAX.—There is hereby imposed on
19 any person who acquires directly or indirectly structured
20 settlement payment rights in a structured settlement fac-
21 toring transaction a tax equal to 40 percent of the factoring
22 discount as determined under subsection (c)(4) with respect
23 to such factoring transaction.

1 “(b) *EXCEPTION FOR CERTAIN APPROVED TRANS-*
2 *ACTIONS.*—

3 “(1) *IN GENERAL.*—*The tax under subsection (a)*
4 *shall not apply in the case of a structured settlement*
5 *factoring transaction in which the transfer of struc-*
6 *tured settlement payment rights is approved in ad-*
7 *vance in a qualified order.*

8 “(2) *QUALIFIED ORDER.*—*For purposes of this*
9 *section, the term ‘qualified order’ means a final order,*
10 *judgment, or decree which—*

11 “(A) *finds that the transfer described in*
12 *paragraph (1)—*

13 “(i) *does not contravene any Federal*
14 *or State statute or the order of any court or*
15 *responsible administrative authority, and*

16 “(ii) *is in the best interest of the payee,*
17 *taking into account the welfare and support*
18 *of the payee’s dependents, and*

19 “(B) *is issued—*

20 “(i) *under the authority of an applica-*
21 *ble State statute by an applicable State*
22 *court, or*

23 “(ii) *by the responsible administrative*
24 *authority (if any) which has exclusive juris-*
25 *diction over the underlying action or pro-*

1 *ceeding which was resolved by means of the*
2 *structured settlement.*

3 “(3) *APPLICABLE STATE STATUTE.*—For pur-
4 poses of this section, the term ‘applicable State stat-
5 ute’ means a statute providing for the entry of an
6 order, judgment, or decree described in paragraph
7 (2)(A) which is enacted by—

8 “(A) the State in which the payee of the
9 structured settlement is domiciled, or

10 “(B) if there is no statute described in sub-
11 paragraph (A), the State in which either the
12 party to the structured settlement (including an
13 assignee under a qualified assignment under sec-
14 tion 130) or the person issuing the funding asset
15 for the structured settlement is domiciled or has
16 its principal place of business.

17 “(4) *APPLICABLE STATE COURT.*—For purposes
18 of this section—

19 “(A) *IN GENERAL.*—The term ‘applicable
20 State court’ means, with respect to any applica-
21 ble State statute, a court of the State which en-
22 acted such statute.

23 “(B) *SPECIAL RULE.*—In the case of an ap-
24 plicable State statute described in paragraph
25 (3)(B), such term also includes a court of the

1 *State in which the payee of the structured settle-*
2 *ment is domiciled.*

3 “*(5) QUALIFIED ORDER DISPOSITIVE.*—*A quali-*
4 *fied order shall be treated as dispositive for purposes*
5 *of the exception under this subsection.*

6 “(c) *DEFINITIONS.*—*For purposes of this section—*

7 “(1) *STRUCTURED SETTLEMENT.*—*The term*
8 ‘*structured settlement*’ *means an arrangement—*

9 “(A) *which is established by—*

10 “(i) *suit or agreement for the periodic*
11 *payment of damages excludable from the*
12 *gross income of the recipient under section*
13 *104(a)(2), or*

14 “(ii) *agreement for the periodic pay-*
15 *ment of compensation under any workers’*
16 *compensation law excludable from the gross*
17 *income of the recipient under section*
18 *104(a)(1), and*

19 “(B) *under which the periodic payments*
20 *are—*

21 “(i) *of the character described in sub-*
22 *paragraphs (A) and (B) of section*
23 *130(c)(2), and*

24 “(ii) *payable by a person who is a*
25 *party to the suit or agreement or to the*

1 *workers' compensation claim or by a person*
2 *who has assumed the liability for such peri-*
3 *odic payments under a qualified assignment*
4 *in accordance with section 130.*

5 “(2) *STRUCTURED SETTLEMENT PAYMENT*
6 *RIGHTS.*—The term ‘structured settlement payment
7 *rights’ means rights to receive payments under a*
8 *structured settlement.*

9 “(3) *STRUCTURED SETTLEMENT FACTORING*
10 *TRANSACTION.*—

11 “(A) *IN GENERAL.*—The term ‘structured

12 *settlement factoring transaction’ means a trans-*
13 *fer of structured settlement payment rights (in-*
14 *cluding portions of structured settlement pay-*
15 *ments) made for consideration by means of sale,*
16 *assignment, pledge, or other form of encumbrance*
17 *or alienation for consideration.*

18 “(B) *EXCEPTION.*—Such term shall not
19 *include—*

20 “(i) *the creation or perfection of a se-*
21 *curity interest in structured settlement pay-*
22 *ment rights under a blanket security agree-*
23 *ment entered into with an insured deposi-*
24 *tory institution in the absence of any action*
25 *to redirect the structured settlement pay-*

1 *ments to such institution (or agent or suc-*
2 *cessor thereof) or otherwise to enforce such*
3 *blanket security interest as against the*
4 *structured settlement payment rights, or*

5 “*(ii) a subsequent transfer of struc-*
6 *tured settlement payment rights acquired in*
7 *a structured settlement factoring trans-*
8 *action.*

9 “(4) *FACTORING DISCOUNT.*—The term ‘factoring

10 *discount’ means an amount equal to the excess of—*

11 “*(A) the aggregate undiscounted amount of*
12 *structured settlement payments being acquired in*
13 *the structured settlement factoring transaction,*
14 *over*

15 “*(B) the total amount actually paid by the*
16 *acquirer to the person from whom such struc-*
17 *tured settlement payments are acquired.*

18 “(5) *RESPONSIBLE ADMINISTRATIVE AUTHOR-*
19 *ITY.*—The term ‘responsible administrative authority’

20 *means the administrative authority which had juris-*
21 *diction over the underlying action or proceeding*
22 *which was resolved by means of the structured settle-*
23 *ment.*

1 “(6) STATE.—The term ‘State’ includes the Com-
2 monwealth of Puerto Rico and any possession of the
3 United States.

4 “(d) COORDINATION WITH OTHER PROVISIONS.—

5 “(1) IN GENERAL.—If the applicable require-
6 ments of sections 72, 104(a)(1), 104(a)(2), 130, and
7 461(h) were satisfied at the time the structured settle-
8 ment involving structured settlement payment rights
9 was entered into, the subsequent occurrence of a struc-
10 tured settlement factoring transaction shall not affect
11 the application of the provisions of such sections to
12 the parties to the structured settlement (including an
13 assignee under a qualified assignment under section
14 130) in any taxable year.

15 “(2) NO WITHHOLDING OF TAX.—The provisions
16 of section 3405 regarding withholding of tax shall not
17 apply to the person making the payments in the event
18 of a structured settlement factoring transaction.”.

19 (b) CLERICAL AMENDMENT.—The table of chapters for
20 subtitle E is amended by adding at the end the following
21 new item:

“Chapter 55. Structured settlement factoring transactions.”.

22 (c) EFFECTIVE DATES.—

23 (1) IN GENERAL.—The amendments made by
24 this section (other than the provisions of section
25 5891(d) of the Internal Revenue Code of 1986, as

1 *added by this section) shall apply to structured settle-*
2 *ment factoring transactions (as defined in section*
3 *5891(c) of such Code (as so added)) entered into on*
4 *or after the 30th day following the date of the enact-*
5 *ment of this Act.*

6 (2) *CLARIFICATION OF EXISTING LAW.*—Section
7 *5891(d) of such Code (as so added) shall apply to*
8 *structured settlement factoring transactions (as de-*
9 *fined in section 5891(c) of such Code (as so added))*
10 *entered into on or after such 30th day.*

11 (3) *TRANSITION RULE.*—*In the case of a struc-*
12 *tured settlement factoring transaction entered into*
13 *during the period beginning on the 30th day fol-*
14 *lowing the date of the enactment of this Act and end-*
15 *ing on July 1, 2002, no tax shall be imposed under*
16 *section 5891(a) of such Code if—*

17 (A) *the structured settlement payee is domi-*
18 *ciled in a State (or possession of the United*
19 *States) which has not enacted a statute pro-*
20 *viding that the structured settlement factoring*
21 *transaction is ineffective unless the transaction*
22 *has been approved by an order, judgment, or de-*
23 *cree of a court (or where applicable, a respon-*
24 *sible administrative authority) which finds that*
25 *such transaction—*

1 (i) does not contravene any Federal or
2 State statute or the order of any court (or
3 responsible administrative authority), and
4 (ii) is in the best interest of the struc-
5 tured settlement payee or is appropriate in
6 light of a hardship faced by the payee, and
7 (B) the person acquiring the structured set-
8 tlement payment rights discloses to the struc-
9 tured settlement payee in advance of the struc-
10 tured settlement factoring transaction the
11 amounts and due dates of the payments to be
12 transferred, the aggregate amount to be trans-
13 ferred, the consideration to be received by the
14 structured settlement payee for the transferred
15 payments, the discounted present value of the
16 transferred payments (including the present
17 value as determined in the manner described in
18 section 7520 of such Code), and the expenses re-
19 quired under the terms of the structured settle-
20 ment factoring transaction to be paid by the
21 structured settlement payee or deducted from the
22 proceeds of such transaction.

1 **SEC. 206. PERSONAL EXEMPTION DEDUCTION FOR CERTAIN**2 **DISABILITY TRUSTS.**

3 (a) *IN GENERAL.*—Subsection (b) of section 642 (relat-
4 ing to deduction for personal exemption) is amended to read
5 as follows:

6 “(b) *DEDUCTION FOR PERSONAL EXEMPTION.*—

7 “(1) *ESTATES.*—An estate shall be allowed a de-
8 duction of \$600.

9 “(2) *TRUSTS.*—

10 “(A) *IN GENERAL.*—Except as otherwise
11 provided in this paragraph, a trust shall be al-
12 lowed a deduction of \$100.

13 “(B) *TRUSTS DISTRIBUTING INCOME CUR-
14 RENTLY.*—A trust which, under its governing in-
15 strument, is required to distribute all of its in-
16 come currently shall be allowed a deduction of
17 \$300.

18 “(C) *DISABILITY TRUSTS.*—

19 “(i) *IN GENERAL.*—A qualified dis-
20 ability trust shall be allowed a deduction
21 equal to the exemption amount under sec-
22 tion 151(d), determined—

23 “(I) by treating such trust as an
24 individual described in section
25 151(d)(3)(C)(iii), and

1 “(II) by applying section 67(e)
2 (without the reference to section
3 642(b)) for purposes of determining the
4 adjusted gross income of the trust.

5 “(ii) **QUALIFIED DISABILITY TRUST.**—
6 For purposes of clause (i), the term ‘quali-
7 fied disability trust’ means any trust if—

8 “(I) such trust is a disability
9 trust described in subsection
10 (c)(2)(B)(iv), (d)(4)(A), or (d)(4)(C) of
11 section 1917 of the Social Security Act
12 (42 U.S.C. 1396p), and

13 “(II) all of the beneficiaries of the
14 trust as of the close of the taxable year
15 are determined to have been disabled
16 (within the meaning of section
17 1614(a)(3) of the Social Security Act,
18 42 U.S.C. 1382c(a)(3)) for some por-
19 tion of such year.

20 A trust shall not fail to meet the require-
21 ments of subclause (II) merely because the
22 corpus of the trust may revert to a person
23 who is not so disabled after the trust ceases
24 to have any beneficiary who is so disabled.”

1 “(3) *DEDUCTIONS IN LIEU OF PERSONAL EXEMPTION.*—The deductions allowed by this subsection
 2 shall be in lieu of the deductions allowed under section
 3 151 (relating to deduction for personal exemp-
 4 tion).”.

6 (b) *EFFECTIVE DATE.*—The amendment made by this
 7 section shall apply to taxable years ending on or after Sep-
 8 tember 11, 2001.

9 **TITLE III—TAX BENEFITS FOR
 10 AREA OF NEW YORK CITY
 11 DAMAGED IN TERRORIST AT-
 12 TACKS ON SEPTEMBER 11,
 13 2001**

14 **SEC. 301. TAX BENEFITS FOR AREA OF NEW YORK CITY
 15 DAMAGED IN TERRORIST ATTACKS ON SEP-
 16 TEMBER 11, 2001.**

17 (a) *IN GENERAL.*—Chapter 1 is amended by adding
 18 at the end the following new subchapter:

19 **“Subchapter Y—New York Liberty Zone
 20 Benefits**

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

21 **“SEC. 1400L. TAX BENEFITS FOR NEW YORK LIBERTY ZONE.**
 22 “(a) *SPECIAL ALLOWANCE FOR CERTAIN PROPERTY
 23 ACQUIRED AFTER SEPTEMBER 10, 2001.*—

1 “(1) ADDITIONAL ALLOWANCE.—In the case of
2 any qualified New York Liberty Zone property—

3 “(A) the depreciation deduction provided by
4 section 167(a) for the taxable year in which such
5 property is placed in service shall include an al-
6 lowance equal to 30 percent of the adjusted basis
7 of such property, and

8 “(B) the adjusted basis of the qualified New
9 York Liberty Zone property shall be reduced by
10 the amount of such deduction before computing
11 the amount otherwise allowable as a depreciation
12 deduction under this chapter for such taxable
13 year and any subsequent taxable year.

14 “(2) QUALIFIED NEW YORK LIBERTY ZONE PROP-
15 ERTY.—For purposes of this subsection—

16 “(A) IN GENERAL.—The term ‘qualified
17 New York Liberty Zone property’ means
18 property—

19 “(i)(I) to which section 168 applies
20 (other than railroad grading and tunnel
21 bores), or

22 “(II) which is computer software (as
23 defined in section 167(f)(1)(B)) for which a
24 deduction is allowable under section 167(a)
25 without regard to this subsection,

1 “(ii) substantially all of the use of
2 which is in the New York Liberty Zone and
3 is in the active conduct of a trade or busi-
4 ness by the taxpayer in such Zone,

5 “(iii) the original use of which in the
6 New York Liberty Zone commences with the
7 taxpayer after September 10, 2001, and

8 “(iv) which is acquired by the tax-
9 payer by purchase (as defined in section
10 179(d)) after September 10, 2001, and
11 placed in service by the taxpayer on or be-
12 fore the termination date, but only if no
13 written binding contract for the acquisition
14 was in effect before September 11, 2001.

15 The term ‘termination date’ means December 31,
16 2006 (December 31, 2009, in the case of nonresi-
17 dential real property and residential rental
18 property).

19 “(B) EXCEPTIONS.—

20 “(i) ALTERNATIVE DEPRECIATION
21 PROPERTY.—The term ‘qualified New York
22 Liberty Zone property’ shall not include
23 any property to which the alternative de-
24 preciation system under section 168(g) ap-
25 plies, determined—

1 “(I) without regard to paragraph
2 (7) of section 168(g) (relating to elec-
3 tion to have system apply), and

4 “(II) after application of section
5 280F(b) (relating to listed property
6 with limited business use).

7 “(ii) **QUALIFIED LEASEHOLD IMPROVE-**
8 **MENT PROPERTY.**—Such term shall not in-
9 clude qualified leasehold improvement prop-
10 erty.

11 “(iii) **ELECTION OUT.**—If a taxpayer
12 makes an election under this clause with re-
13 spect to any class of property for any tax-
14 able year, this subsection shall not apply to
15 all property in such class placed in service
16 during such taxable year.

17 “(C) **SPECIAL RULES RELATING TO ORIGI-**
18 **NAL USE.**—

19 “(i) **SELF-CONSTRUCTED PROPERTY.**—
20 In the case of a taxpayer manufacturing,
21 constructing, or producing property for the
22 taxpayer’s own use, the requirements of
23 clause (iv) of subparagraph (A) shall be
24 treated as met if the taxpayer begins manu-
25 facturing, constructing, or producing the

1 *property after September 10, 2001, and be-*
2 *fore the termination date.*

3 “(ii) *SALE-LEASEBACKS.—For pur-*
4 *poses of subparagraph (A)(iii), if*
5 *property—*

6 “(I) *is originally placed in service*
7 *after September 10, 2001, by a person,*
8 *and*

9 “(II) *sold and leased back by such*
10 *person within 3 months after the date*
11 *such property was originally placed in*
12 *service,*

13 *such property shall be treated as originally*
14 *placed in service not earlier than the date*
15 *on which such property is used under the*
16 *leaseback referred to in subclause (II).*

17 “(D) *ALLOWANCE AGAINST ALTERNATIVE*
18 *MINIMUM TAX.—The deduction allowed by this*
19 *subsection shall be allowed in determining alter-*
20 *native minimum taxable income under section*
21 *55.*

22 “(b) *5-YEAR RECOVERY PERIOD FOR DEPRECIATION*
23 *OF CERTAIN LEASEHOLD IMPROVEMENTS.—*

1 “(1) *IN GENERAL.*—For purposes of section 168,
2 the term ‘5-year property’ includes any qualified
3 leasehold improvement property.

4 “(2) *QUALIFIED LEASEHOLD IMPROVEMENT*
5 *PROPERTY.*—For purposes of this section—

6 “(A) *IN GENERAL.*—The term ‘qualified
7 leasehold improvement property’ means any im-
8 provement to an interior portion of a building
9 which is nonresidential real property if—

10 “(i) such building is located in the
11 New York Liberty Zone,

12 “(ii) such improvement is made under
13 or pursuant to a lease (as defined in section
14 168(h)(7))—

15 “(I) by the lessee (or any subles-
16 see) of such portion, or

17 “(II) by the lessor of such portion,

18 “(iii) such portion is to be occupied ex-
19 clusively by the lessee (or any sublessee) of
20 such portion,

21 “(iv) such improvement is placed in
22 service—

23 “(I) after September 10, 2001,
24 and more than 3 years after the date

1 *the building was first placed in service,*
2 *and*

3 “*(II) before January 1, 2007, and*
4 “*(v) no written binding contract for*
5 *such improvement was in effect before Sep-*
6 *tember 11, 2001.*

7 “(B) *CERTAIN IMPROVEMENTS NOT IN-*
8 *CLUDED.*—*Such term shall not include any im-*
9 *provement for which the expenditure is attrib-*
10 *utable to—*

11 “*(i) the enlargement of the building,*
12 “*(ii) any elevator or escalator,*
13 “*(iii) any structural component bene-*
14 *fiting a common area, and*
15 “*(iv) the internal structural framework*
16 *of the building.*

17 “(C) *DEFINITIONS AND SPECIAL RULES.*—
18 *For purposes of this paragraph—*

19 “(i) *COMMITMENT TO LEASE TREATED*
20 *AS LEASE.*—*A commitment to enter into a*
21 *lease shall be treated as a lease, and the*
22 *parties to such commitment shall be treated*
23 *as lessor and lessee, respectively.*

24 “(ii) *RELATED PERSONS.*—*A lease be-*
25 *tween related persons shall not be considered*

1 *a lease. For purposes of the preceding sen-*
2 *tence, the term ‘related persons’ means—*

3 “(I) members of an affiliated
4 group (as defined in section 1504), and
5 “(II) persons having a relation-
6 ship described in subsection (b) of sec-
7 tion 267; except that, for purposes of
8 this clause, the phrase ‘80 percent or
9 more’ shall be substituted for the
10 phrase ‘more than 50 percent’ each
11 place it appears in such subsection.

12 “(D) IMPROVEMENTS MADE BY LESSOR.—

13 “(i) IN GENERAL.—*In the case of an*
14 *improvement made by the person who was*
15 *the lessor of such improvement when such*
16 *improvement was placed in service, such*
17 *improvement shall be qualified leasehold*
18 *improvement property (if at all) only so*
19 *long as such improvement is held by such*
20 *person.*

21 “(ii) EXCEPTION FOR CHANGES IN
22 FORM OF BUSINESS.—*Property shall not*
23 *cease to be qualified leasehold improvement*
24 *property under clause (i) by reason of—*

25 “(I) death,

1 “(II) a transaction to which section
2 381(a) applies, or

3 “(III) a mere change in the form
4 of conducting the trade or business so
5 long as the property is retained in
6 such trade or business as qualified
7 leasehold improvement property and
8 the taxpayer retains a substantial in-
9 terest in such trade or business.

10 “(3) REQUIREMENT TO USE STRAIGHT LINE
11 METHOD.—The applicable depreciation method under
12 section 168 shall be the straight line method in the
13 case of qualified leasehold improvement property.

14 “(4) 9-YEAR RECOVERY PERIOD UNDER ALTER-
15 NATIVE SYSTEM.—For purposes of section 168(g), the
16 class life of qualified leasehold improvement property
17 shall be 9 years.

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

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

21 “(A) the limitation under section 179(b)(1)
22 shall be increased by the lesser of—

23 “(i) \$35,000, or

24 “(ii) the cost of section 179 property
25 which is qualified New York Liberty Zone

1 *property placed in service during the tax-*
2 *able year, and*

3 *“(B) the amount taken into account under*
4 *section 179(b)(2) with respect to any section 179*
5 *property which is qualified New York Liberty*
6 *Zone property shall be 50 percent of the cost*
7 *thereof.*

8 *“(2) RECAPTURE.—Rules similar to the rules*
9 *under section 179(d)(10) shall apply with respect to*
10 *any qualified New York Liberty Zone property which*
11 *ceases to be used in the New York Liberty Zone.*

12 *“(d) TAX-EXEMPT BOND FINANCING.—*

13 *“(1) IN GENERAL.—For purposes of this title,*
14 *any qualified New York Liberty Bond shall be treated*
15 *as an exempt facility bond.*

16 *“(2) QUALIFIED NEW YORK LIBERTY BOND.—For*
17 *purposes of this subsection, the term ‘qualified New*
18 *York Liberty Bond’ means any bond issued as part*
19 *of an issue if—*

20 *“(A) 95 percent or more of the net proceeds*
21 *(as defined in section 150(a)(3)) of such issue*
22 *are to be used for qualified project costs;*

23 *“(B) such bond is issued by the State of*
24 *New York or any political subdivision thereof;*

1 “(C) the Governor of New York designates
2 such bond for purposes of this section, and

3 “(D) such bond is issued during calendar
4 year 2002, 2003, or 2004.

5 “(3) *LIMITATION ON AMOUNT OF BONDS DES-*
6 *IGNATED.*—The maximum aggregate face amount of
7 bonds which may be designated under this subsection
8 shall not exceed \$15,000,000,000.

9 “(4) *QUALIFIED PROJECT COSTS.*—For purposes
10 of this subsection—

11 “(A) *IN GENERAL.*—The term ‘qualified
12 project costs’ means the cost of acquisition, con-
13 struction, reconstruction, and renovation of—

14 “(i) nonresidential real property and
15 residential rental property (including fixed
16 tenant improvements associated with such
17 property) located in the New York Liberty
18 Zone, and

19 “(ii) public utility property located in
20 the New York Liberty Zone.

21 “(B) *COSTS FOR CERTAIN PROPERTY OUT-*
22 *SIDE ZONE INCLUDED.*—Such term includes the
23 cost of acquisition, construction, reconstruction,
24 and renovation of nonresidential real property
25 (including fixed tenant improvements associated

1 *with such property) located outside the New York*
2 *Liberty Zone but within the City of New York,*
3 *New York, if such property is part of a project*
4 *which consists of at least 100,000 square feet of*
5 *usable office or other commercial space located in*
6 *a single building or multiple adjacent buildings.*

7 “(C) *LIMITATIONS.*—Such term shall not
8 *include—*

9 “(i) *costs for property located outside*
10 *the New York Liberty Zone to the extent*
11 *such costs exceed \$7,000,000,000,*

12 “(ii) *costs with respect to residential*
13 *rental property to the extent such costs ex-*
14 *ceed \$3,000,000,000, and*

15 “(iii) *costs with respect to property*
16 *used for retail sales of tangible property to*
17 *the extent such costs exceed \$1,500,000,000.*

18 “(D) *MOVABLE FIXTURES AND EQUIP-*
19 *MENT.*—Such term shall not include costs with
20 *respect to movable fixtures and equipment.*

21 “(5) *SPECIAL RULES.*—In applying this title to
22 any qualified New York Liberty Bond, the following
23 modifications shall apply:

24 “(A) *Section 146 (relating to volume cap)*
25 *shall not apply.*

1 “(B) Section 147(c) (relating to limitation
2 on use for land acquisition) shall be determined
3 by reference to the aggregate authorized face
4 amount of all qualified New York Liberty Bonds
5 rather than the net proceeds of each issue.

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

10 “(D) Section 148(f)(4)(C) (relating to ex-
11 ception from rebate for certain proceeds to be
12 used to finance construction expenditures) shall
13 apply to construction proceeds of bonds issued
14 under this section.

15 “(E) Financing provided by such a bond
16 shall not be taken into account under section
17 168(g)(5)(A) with respect to property substan-
18 tially all of the use of which is in the New York
19 Liberty Zone and is in the active conduct of a
20 trade or business by the taxpayer in such Zone.

21 “(F) Repayments of principal on financing
22 provided by the issue—

23 “(i) may not be used to provide financ-
24 ing, and

1 “(ii) are used not later than the close
2 of the 1st semiannual period beginning after
3 the date of the repayment to redeem bonds
4 which are part of such issue.

5 The requirement of clause (ii) shall be treated as
6 met with respect to amounts received within 10
7 years after the date of issuance of the issue (or,
8 in the case of refunding bond, the date of
9 issuance of the original bond) if such amounts
10 are used by the close of such 10 years to redeem
11 bonds which are part of such issue.

12 “(G) Section 57(a)(5) shall not apply.

13 “(6) SEPARATE ISSUE TREATMENT OF PORTIONS
14 OF AN ISSUE.—This subsection shall not apply to the
15 portion of the proceeds of an issue which (if issued as
16 a separate issue) would be treated as a qualified bond
17 or as a bond that is not a private activity bond (de-
18 termined without regard to subsection (a)), if the
19 issuer elects to so treat such portion.

20 “(e) EXTENSION OF REPLACEMENT PERIOD FOR NON-
21 RECOGNITION OF GAIN.—Notwithstanding subsections (g)
22 and (h) of section 1033, clause (i) of section 1033(a)(2)(B)
23 shall be applied by substituting ‘5 years’ for ‘2 years’ with
24 respect to property which is compulsorily or involuntarily
25 converted as a result of the terrorist attacks on September

1 11, 2001, in the New York Liberty Zone but only if substan-
2 tially all of the use of the replacement property is in the
3 City of New York, New York.

4 “(f) NEW YORK LIBERTY ZONE.—For purposes of this
5 section, the term ‘New York Liberty Zone’ means the area
6 located on or south of Canal Street, East Broadway (east
7 of its intersection with Canal Street), or Grand Street (east
8 of its intersection with East Broadway) in the Borough of
9 Manhattan in the City of New York, New York.”

10 (b) CLERICAL AMENDMENT.—The table of subchapters
11 for chapter 1 is amended by adding at the end the following
12 new item:

“Subchapter Y. New York Liberty Zone Benefits.”

13 **TITLE IV—DISCLOSURE OF TAX
14 INFORMATION IN TERRORISM
15 AND NATIONAL SECURITY IN-
16 VESTIGATIONS**

17 **SEC. 401. DISCLOSURE OF TAX INFORMATION IN TER-
18 RORISM AND NATIONAL SECURITY INVES-
19 TIGATIONS.**

20 (a) DISCLOSURE WITHOUT A REQUEST OF INFORMA-
21 TION RELATING TO TERRORIST ACTIVITIES, ETC.—Para-
22 graph (3) of section 6103(i) (relating to disclosure of return
23 information to apprise appropriate officials of criminal ac-
24 tivities or emergency circumstances) is amended by adding
25 at the end the following new subparagraph:

1 “(C) TERRORIST ACTIVITIES, ETC.—

2 “(i) IN GENERAL.—Except as provided
3 in paragraph (6), the Secretary may dis-
4 close in writing return information (other
5 than taxpayer return information) that
6 may be related to a terrorist incident,
7 threat, or activity to the extent necessary to
8 apprise the head of the appropriate Federal
9 law enforcement agency responsible for in-
10 vestigating or responding to such terrorist
11 incident, threat, or activity. The head of the
12 agency may disclose such return informa-
13 tion to officers and employees of such agen-
14 cy to the extent necessary to investigate or
15 respond to such terrorist incident, threat, or
16 activity.

17 “(ii) DISCLOSURE TO THE DEPART-
18 MENT OF JUSTICE.—Returns and taxpayer
19 return information may also be disclosed to
20 the Attorney General under clause (i) to the
21 extent necessary for, and solely for use in
22 preparing, an application under paragraph
23 (7)(D).

24 “(iii) TAXPAYER IDENTITY.—For pur-
25 poses of this subparagraph, a taxpayer’s

1 *identity shall not be treated as taxpayer re-*
2 *turn information.*

3 “(iv) *TERMINATION.*—No disclosure
4 *may be made under this subparagraph after*
5 *December 31, 2003.”.*

6 *(b) DISCLOSURE UPON REQUEST OF INFORMATION*
7 *RELATING TO TERRORIST ACTIVITIES, ETC.*—Subsection
8 *(i) of section 6103 (relating to disclosure to Federal officers*
9 *or employees for administration of Federal laws not relat-*
10 *ing to tax administration) is amended by redesignating*
11 *paragraph (7) as paragraph (8) and by inserting after*
12 *paragraph (6) the following new paragraph:*

13 “(7) *DISCLOSURE UPON REQUEST OF INFORMA-*
14 *TION RELATING TO TERRORIST ACTIVITIES, ETC.*—

15 “(A) *DISCLOSURE TO LAW ENFORCEMENT*
16 *AGENCIES.*—

17 “(i) *IN GENERAL.*—Except as provided

18 *in paragraph (6), upon receipt by the Sec-*
19 *retary of a written request which meets the*
20 *requirements of clause (iii), the Secretary*
21 *may disclose return information (other than*
22 *taxpayer return information) to officers and*
23 *employees of any Federal law enforcement*
24 *agency who are personally and directly en-*

1 *gaged in the response to or investigation of*
2 *any terrorist incident, threat, or activity.*

3 “(ii) *DISCLOSURE TO STATE AND*
4 *LOCAL LAW ENFORCEMENT AGENCIES.—The*
5 *head of any Federal law enforcement agency*
6 *may disclose return information obtained*
7 *under clause (i) to officers and employees of*
8 *any State or local law enforcement agency*
9 *but only if such agency is part of a team*
10 *with the Federal law enforcement agency in*
11 *such response or investigation and such in-*
12 *formation is disclosed only to officers and*
13 *employees who are personally and directly*
14 *engaged in such response or investigation.*

15 “(iii) *REQUIREMENTS.—A request*
16 *meets the requirements of this clause if—*

17 “(I) *the request is made by the*
18 *head of any Federal law enforcement*
19 *agency (or his delegate) involved in the*
20 *response to or investigation of any ter-*
21 *rorist incident, threat, or activity, and*

22 “(II) *the request sets forth the spe-*
23 *specific reason or reasons why such disclo-*
24 *sure may be relevant to a terrorist in-*
25 *cident, threat, or activity.*

1 “(iv) *LIMITATION ON USE OF INFORMATION.*—Information disclosed under this
2 subparagraph shall be solely for the use of
3 the officers and employees to whom such in-
4 formation is disclosed in such response or
5 investigation.

7 “(B) *DISCLOSURE TO INTELLIGENCE AGEN-
8 CIES.*—

9 “(i) *IN GENERAL.*—Except as provided
10 in paragraph (6), upon receipt by the Sec-
11 retary of a written request which meets the
12 requirements of clause (ii), the Secretary
13 may disclose return information (other than
14 taxpayer return information) to those offi-
15 cers and employees of the Department of
16 Justice, the Department of the Treasury,
17 and other Federal intelligence agencies who
18 are personally and directly engaged in the
19 collection or analysis of intelligence and
20 counterintelligence information or inves-
21 tigation concerning any terrorist incident,
22 threat, or activity. For purposes of the pre-
23 ceding sentence, the information disclosed
24 under the preceding sentence shall be solely

1 *for the use of such officers and employees in
2 such investigation, collection, or analysis.*

3 “(ii) *REQUIREMENTS.*—A request
4 meets the requirements of this subparagraph
5 if the request—

6 “(I) is made by an individual de-
7 scribed in clause (iii), and

8 “(II) sets forth the specific reason
9 or reasons why such disclosure may be
10 relevant to a terrorist incident, threat,
11 or activity.

12 “(iii) *REQUESTING INDIVIDUALS.*—An
13 individual described in this subparagraph
14 is an individual—

15 “(I) who is an officer or employee
16 of the Department of Justice or the De-
17 partment of the Treasury who is ap-
18 pointed by the President with the ad-
19 vice and consent of the Senate or who
20 is the Director of the United States Se-
21 cret Service, and

22 “(II) who is responsible for the
23 collection and analysis of intelligence
24 and counterintelligence information

1 *concerning any terrorist incident,*
2 *threat, or activity.*

3 “(iv) *TAXPAYER IDENTITY.*—For pur-
4 poses of this subparagraph, a taxpayer’s
5 identity shall not be treated as taxpayer re-
6 turn information.

7 “(C) *DISCLOSURE UNDER EX PARTE OR-*
8 *TERS.*—

9 “(i) *IN GENERAL.*—Except as provided
10 in paragraph (6), any return or return in-
11 formation with respect to any specified tax-
12 able period or periods shall, pursuant to
13 and upon the grant of an *ex parte* order by
14 a Federal district court judge or magistrate
15 under clause (ii), be open (but only to the
16 extent necessary as provided in such order)
17 to inspection by, or disclosure to, officers
18 and employees of any Federal law enforce-
19 ment agency or Federal intelligence agency
20 who are personally and directly engaged in
21 any investigation, response to, or analysis
22 of intelligence and counterintelligence infor-
23 mation concerning any terrorist incident,
24 threat, or activity. Return or return infor-
25 mation opened to inspection or disclosure

1 *pursuant to the preceding sentence shall be*
2 *solely for the use of such officers and em-*
3 *ployees in the investigation, response, or*
4 *analysis, and in any judicial, administra-*
5 *tive, or grand jury proceedings, pertaining*
6 *to such terrorist incident, threat, or activi-*
7 *ty.*

8 “*(ii) APPLICATION FOR ORDER.—The*
9 *Attorney General, the Deputy Attorney Gen-*
10 *eral, the Associate Attorney General, any*
11 *Assistant Attorney General, or any United*
12 *States attorney may authorize an applica-*
13 *tion to a Federal district court judge or*
14 *magistrate for the order referred to in clause*
15 *(i). Upon such application, such judge or*
16 *magistrate may grant such order if he de-*
17 *termines on the basis of the facts submitted*
18 *by the applicant that—*

19 “*(I) there is reasonable cause to*
20 *believe, based upon information be-*
21 *lieved to be reliable, that the return or*
22 *return information may be relevant to*
23 *a matter relating to such terrorist inci-*
24 *dent, threat, or activity, and*

1 “(II) the return or return infor-
2 mation is sought exclusively for use in
3 a Federal investigation, analysis, or
4 proceeding concerning any terrorist in-
5 cident, threat, or activity.

6 “(D) SPECIAL RULE FOR EX PARTE DISCLO-
7 SURE BY THE IRS.—

8 “(i) IN GENERAL.—Except as provided
9 in paragraph (6), the Secretary may au-
10 thorize an application to a Federal district
11 court judge or magistrate for the order re-
12 ferred to in subparagraph (C)(i). Upon such
13 application, such judge or magistrate may
14 grant such order if he determines on the
15 basis of the facts submitted by the applicant
16 that the requirements of subparagraph
17 (C)(ii)(I) are met.

18 “(ii) LIMITATION ON USE OF INFORMA-
19 TION.—Information disclosed under clause
20 (i)—

21 “(I) may be disclosed only to the
22 extent necessary to apprise the head of
23 the appropriate Federal law enforce-
24 ment agency responsible for inves-

1 *tigating or responding to a terrorist*
2 *incident, threat, or activity, and*
3 *“(II) shall be solely for use in a*
4 *Federal investigation, analysis, or pro-*
5 *ceeding concerning any terrorist inci-*
6 *dent, threat, or activity.*

7 *The head of such Federal agency may dis-*
8 *close such information to officers and em-*
9 *ployees of such agency to the extent nec-*
10 *essary to investigate or respond to such ter-*
11 *rorist incident, threat, or activity.*

12 *“(E) TERMINATION.—No disclosure may be*
13 *made under this paragraph after December 31,*
14 *2003.”.*

15 *(c) CONFORMING AMENDMENTS.—*

16 *(1) Section 6103(a)(2) is amended by inserting*
17 *“any local law enforcement agency receiving informa-*
18 *tion under subsection (i)(7)(A),” after “State.”.*

19 *(2) Section 6103(b) is amended by adding at the*
20 *end the following new paragraph:*

21 *“(11) TERRORIST INCIDENT, THREAT, OR ACTIV-*
22 *ITY.—The term ‘terrorist incident, threat, or activity’*
23 *means an incident, threat, or activity involving an*
24 *act of domestic terrorism (as defined in section*
25 *2331(5) of title 18, United States Code) or inter-*

1 national terrorism (as defined in section 2331(1) of
2 such title).”.

3 (3) The heading of section 6103(i)(3) is amended
4 by inserting “OR TERRORIST” after “CRIMINAL”.

5 (4) Paragraph (4) of section 6103(i) is
6 amended—

7 (A) in subparagraph (A) by inserting “or
8 (7)(C)” after “paragraph (1)”, and

9 (B) in subparagraph (B) by striking “or
10 (3)(A)” and inserting “(3)(A) or (C), or (7)”.

11 (5) Paragraph (6) of section 6103(i) is
12 amended—

13 (A) by striking “(3)(A)” and inserting
14 “(3)(A) or (C)”, and

15 (B) by striking “or (7)” and inserting “(7),
16 or (8)”.

17 (6) Section 6103(p)(3) is amended—

18 (A) in subparagraph (A) by striking
19 “(7)(A)(ii)” and inserting “(8)(A)(ii)”, and

20 (B) in subparagraph (C) by striking
21 “(i)(3)(B)(i)” and inserting “(i)(3)(B)(i) or
22 (7)(A)(ii)”.

23 (7) Section 6103(p)(4) is amended—

24 (A) in the matter preceding subparagraph
25 (A)—

1 (i) by striking “or (5),” the first place
2 it appears and inserting “(5), or (7),”, and
3 (ii) by striking “(i)(3)(B)(i),” and in-
4 serting “(i)(3)(B)(i) or (7)(A)(ii),”, and
5 (B) in subparagraph (F)(ii) by striking “or
6 (5),” the first place it appears and inserting “(5)
7 or (7),”.

8 (8) Section 6103(p)(6)(B)(i) is amended by
9 striking “(i)(7)(A)(ii)” and inserting “(i)(8)(A)(ii)”.

10 (9) Section 6105(b) is amended—

11 (A) by striking “or” at the end of para-
12 graph (2),

13 (B) by striking “paragraphs (1) or (2)” in
14 paragraph (3) and inserting “paragraph (1),
15 (2), or (3)”,

16 (C) by redesignating paragraph (3) as
17 paragraph (4), and

18 (D) by inserting after paragraph (2) the fol-
19 lowing new paragraph:

20 “(3) to the disclosure of tax convention informa-
21 tion on the same terms as return information may be
22 disclosed under paragraph (3)(C) or (7) of section
23 6103(i), except that in the case of tax convention in-
24 formation provided by a foreign government, no dis-

1 closure may be made under this paragraph without
2 the written consent of the foreign government, or".

3 (10) Section 7213(a)(2) is amended by striking
4 “(i)(3)(B)(i),” and inserting “(i)(3)(B)(i) or
5 (7)(A)(ii),”.

6 (d) **EFFECTIVE DATE.**—The amendments made by this
7 section shall apply to disclosures made on or after the date
8 of the enactment of this Act.

9 **TITLE V—NO IMPACT ON SOCIAL
10 SECURITY TRUST FUNDS**

11 **SEC. 501. NO IMPACT ON SOCIAL SECURITY TRUST FUNDS.**

12 (a) **IN GENERAL.**—Nothing in this Act (or an amend-
13 ment made by this Act) shall be construed to alter or amend
14 title II of the Social Security Act (or any regulation pro-
15 mulgated under that Act).

16 (b) **TRANSFERS.**—

17 (1) **ESTIMATE OF SECRETARY.**—The Secretary of
18 the Treasury shall annually estimate the impact that
19 the enactment of this Act has on the income and bal-
20 ances of the trust funds established under section 201
21 of the Social Security Act (42 U.S.C. 401).

22 (2) **TRANSFER OF FUNDS.**—If, under paragraph
23 (1), the Secretary of the Treasury estimates that the
24 enactment of this Act has a negative impact on the
25 income and balances of the trust funds established

1 *under section 201 of the Social Security Act (42*
2 *U.S.C. 401), the Secretary shall transfer, not less fre-*
3 *quently than quarterly, from the general revenues of*
4 *the Federal Government an amount sufficient so as to*
5 *ensure that the income and balances of such trust*
6 *funds are not reduced as a result of the enactment of*
7 *this Act.*

Attest:

Clerk.

107TH CONGRESS
1ST SESSION

H.R. 2884

**HOUSE AMENDMENT TO
SENATE AMENDMENTS**