

107TH CONGRESS
1ST SESSION

S. 1720

To amend the Internal Revenue Code of 1986 to provide tax relief for victims of the terrorist attacks against the United States involving anthrax.

IN THE SENATE OF THE UNITED STATES

NOVEMBER 16, 2001

Mrs. CARNAHAN (for herself and Ms. MIKULSKI) introduced the following bill;
which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to provide tax relief for victims of the terrorist attacks against the United States involving anthrax.

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

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

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Victims of Anthrax Tax Relief Act of 2001”.

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

Sec. 2. Income and employment taxes of victims of terrorist attacks.

Sec. 3. Estate tax reduction.

Sec. 4. Payments by charitable organizations treated as exempt payments.

Sec. 5. Exclusion of certain cancellations of indebtedness.

Sec. 6. No impact on social security trust funds.

5 **SEC. 2. INCOME AND EMPLOYMENT TAXES OF VICTIMS OF**
 6 **ANTHRAX.**

7 (a) IN GENERAL.—Section 692 (relating to income
 8 taxes of members of Armed Forces on death) is amended
 9 by adding at the end the following new subsection:

10 “(d) INDIVIDUALS DYING AS A RESULT OF ANTHRAX
 11 ATTACKS.—

12 “(1) IN GENERAL.—In the case of any indi-
 13 vidual who dies as a result of illness incurred as a
 14 result of a terrorist attack involving anthrax occur-
 15 ring on or after September 11, 2001, and before
 16 January 1, 2002, any tax imposed by this subtitle
 17 shall not apply—

18 “(A) with respect to the taxable year in
 19 which falls the date of such individual’s death,
 20 and

21 “(B) with respect to any prior taxable year
 22 in the period beginning with the last taxable

1 year ending before the taxable year in which the
2 wounds, injury, or illness were incurred.

3 “(2) EXCEPTIONS.—

4 “(A) TAXATION OF CERTAIN BENEFITS.—

5 Subject to such rules as the Secretary may pre-
6 scribe, paragraph (1) shall not apply to the
7 amount of any tax imposed by this subtitle
8 which would be computed by only taking into
9 account the items of income, gain, or other
10 amounts attributable to—

11 “(i) amounts payable in the taxable
12 year by reason of the death of an indi-
13 vidual described in paragraph (1) which
14 would have been payable in such taxable
15 year if the death had occurred by reason of
16 an event other than an event described in
17 paragraph (1), or

18 “(ii) amounts payable in the taxable
19 year which would not have been payable in
20 such taxable year but for an action taken
21 after the date of the applicable terrorist at-
22 tack.

23 “(B) NO RELIEF FOR PERPETRATORS.—

24 Paragraph (1) shall not apply with respect to
25 any individual identified by the Attorney Gen-

1 eral to have been a participant or conspirator in
 2 any event described in paragraph (1), or a rep-
 3 resentative of such individual.”.

4 (b) REFUND OF OTHER TAXES PAID.—Section 692,
 5 as amended by subsection (a), is amended by adding at
 6 the end the following new subsection:

7 “(e) REFUND OF OTHER TAXES PAID.—In deter-
 8 mining the amount of tax under this section to be credited
 9 or refunded as an overpayment with respect to any indi-
 10 vidual for any period, such amount shall be increased by
 11 an amount equal to the amount of taxes imposed and col-
 12 lected under chapter 21 and sections 3201(a), 3211(a)(1),
 13 and 3221(a) with respect to such individual for such pe-
 14 riod.”.

15 (c) CONFORMING AMENDMENTS.—

16 (1) Section 5(b)(1) is amended by inserting
 17 “and victims of certain terrorist attacks” before “on
 18 death”.

19 (2) Section 6013(f)(2)(B) is amended by insert-
 20 ing “and victims of certain terrorist attacks” before
 21 “on death”.

22 (d) CLERICAL AMENDMENTS.—

23 (1) The heading of section 692 is amended to
 24 read as follows:

1 **“SEC. 692. INCOME AND EMPLOYMENT TAXES OF MEMBERS**
 2 **OF ARMED FORCES AND VICTIMS OF CER-**
 3 **TAIN TERRORIST ATTACKS ON DEATH.”.**

4 (2) The item relating to section 692 in the table
 5 of sections for part II of subchapter J of chapter 1
 6 is amended to read as follows:

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

7 (e) EFFECTIVE DATE.—The amendments made by
 8 this section shall apply to taxable years ending on or after
 9 September 11, 2001.

10 **SEC. 3. ESTATE TAX REDUCTION.**

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

13 **“SEC. 2201. COMBAT ZONE-RELATED DEATHS OF MEMBERS**
 14 **OF THE ARMED FORCES AND DEATHS OF VIC-**
 15 **TIMS OF CERTAIN TERRORIST ATTACKS.**

16 “(a) IN GENERAL.—Unless the executor elects not to
 17 have this section apply, in applying section 2001 to the
 18 estate of a qualified decedent, the rate schedule set forth
 19 in subsection (c) shall be deemed to be the rate schedule
 20 set forth in section 2001(c).

21 “(b) QUALIFIED DECEDENT.—For purposes of this
 22 section, the term ‘qualified decedent’ means—

1 “(1) any citizen or resident of the United
 2 States dying while in active service of the Armed
 3 Forces of 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,
 8 or injury suffered while serving in a combat
 9 zone (as determined under section 112(c)), and
 10 while in the line of duty, by reason of a hazard
 11 to which such decedent was subjected as an in-
 12 cident of such service, or

13 “(2) any individual who died as a result of ill-
 14 ness incurred as a result of a terrorist attack involv-
 15 ing anthrax occurring on or after September 11,
 16 2001, and before January 1, 2002.

17 Paragraph (2) shall not apply with respect to any indi-
 18 vidual identified by the Attorney General to have been a
 19 participant or conspirator in any such terrorist attack, or
 20 a representative of such individual.

21 “(c) RATE SCHEDULE.—

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

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

The tentative tax is:

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.
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.

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

4 (3) Paragraph (9) of section 532(c) of the Eco-
 5 nomic Growth and Tax Relief Reconciliation Act of
 6 2001 is repealed.

7 (c) CLERICAL AMENDMENT.—The item relating to
 8 section 2201 in the table of sections for subchapter C of
 9 chapter 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 at-
 tacks.”.

10 (d) EFFECTIVE DATE.—The amendments made by
 11 this section shall apply to estates of decedents dying on
 12 or after September 11, 2001.

13 **SEC. 4. PAYMENTS BY CHARITABLE ORGANIZATIONS**
 14 **TREATED AS EXEMPT PAYMENTS.**

15 (a) IN GENERAL.—For purposes of the Internal Rev-
 16 enue Code of 1986—

17 (1) payments made by an organization de-
 18 scribed in section 501(c)(3) of such Code by reason
 19 of the death, injury, wounding, or illness of an indi-
 20 vidual incurred as the result of a terrorist attack in-
 21 volving anthrax occurring on or after September 11,
 22 2001, and before January 1, 2002, shall be treated
 23 as related to the purpose or function constituting the
 24 basis for such organization’s exemption under sec-

1 tion 501 of such Code if such payments are made
 2 using an objective formula which is consistently ap-
 3 plied, and

4 (2) in the case of a private foundation (as de-
 5 fined in section 509 of such Code), any payment de-
 6 scribed in paragraph (1) shall not be treated as
 7 made to a disqualified person for purposes of section
 8 4941 of such Code.

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

11 **SEC. 5. EXCLUSION OF CERTAIN CANCELLATIONS OF IN-**
 12 **DEBTEDNESS.**

13 (a) IN GENERAL.—For purposes of the Internal Rev-
 14 enue Code of 1986—

15 (1) gross income shall not include any amount
 16 which (but for this section) would be includible in
 17 gross income by reason of the discharge (in whole or
 18 in part) of indebtedness of any taxpayer if the dis-
 19 charge is by reason of the death of an individual in-
 20 curred as the result of a terrorist attack involving
 21 anthrax occurring on or after September 11, 2001,
 22 and before January 1, 2002, and

23 (2) return requirements under section 6050P of
 24 such Code shall not apply to any discharge described
 25 in paragraph (1).

1 (b) EFFECTIVE DATE.—This section shall apply to
2 discharges made on or after September 11, 2001, and be-
3 fore January 1, 2002.

4 **SEC. 6. NO IMPACT ON SOCIAL SECURITY TRUST FUND.**

5 (a) IN GENERAL.—Nothing in this Act (or an amend-
6 ment made by this Act) shall be construed to alter or
7 amend title II of the Social Security Act (or any regulation
8 promulgated under that Act).

9 (b) TRANSFERS.—

10 (1) ESTIMATE OF SECRETARY.—The Secretary
11 of the Treasury shall annually estimate the impact
12 that the enactment of this Act has on the income
13 and balances of the trust funds established under
14 section 201 of the Social Security Act (42 U.S.C.
15 401).

16 (2) TRANSFER OF FUNDS.—If, under para-
17 graph (1), the Secretary of the Treasury estimates
18 that the enactment of this Act has a negative impact
19 on the income and balances of the trust funds estab-
20 lished under section 201 of the Social Security Act
21 (42 U.S.C. 401), the Secretary shall transfer, not
22 less frequently than quarterly, from the general reve-
23 nues of the Federal Government an amount suffi-
24 cient so as to ensure that the income and balances

1 of such trust funds are not reduced as a result of
2 the enactment of this Act.

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