

109TH CONGRESS
2^D SESSION

H. R. 5970

To amend the Internal Revenue Code of 1986 to increase the unified credit against the estate tax to an exclusion equivalent of \$5,000,000, to repeal the sunset provision for the estate and generation-skipping taxes, and to extend expiring provisions, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JULY 28, 2006

Mr. THOMAS (for himself, Mr. BOEHNER, Mr. BLUNT, and Mr. McKEON) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committees on Energy and Commerce, Education and the Workforce, and Resources, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

JULY 28, 2006

The Committees on Ways and Means, Energy and Commerce, Education and the Workforce and Resources discharged; considered and passed

A BILL

To amend the Internal Revenue Code of 1986 to increase the unified credit against the estate tax to an exclusion equivalent of \$5,000,000, to repeal the sunset provision for the estate and generation-skipping taxes, and to extend expiring provisions, and for other purposes.

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

1 **SECTION 1. SHORT TITLE, ETC.**

2 (a) **SHORT TITLE.**—This Act may be cited as the
3 “Estate Tax and Extension of Tax Relief Act of 2006”.

4 (b) **REFERENCE.**—Except as otherwise expressly pro-
5 vided, whenever in this Act an amendment or repeal is
6 expressed in terms of an amendment to, or repeal of, a
7 section or other provision, the reference shall be consid-
8 ered to be made to a section or other provision of the In-
9 ternal Revenue Code of 1986

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

Sec. 1. Short title, etc.

TITLE I—REFORM AND EXTENSION OF ESTATE TAX AFTER 2009

Sec. 101. Reform and extension of estate tax after 2009.

Sec. 102. Unified credit increased by unused unified credit of deceased spouse.

**TITLE II—EXTENSION AND EXPANSION OF CERTAIN TAX RELIEF
PROVISIONS**

Subtitle A—Extension and Modification of Certain Provisions

Sec. 201. Deduction for qualified tuition and related expenses.

Sec. 202. Extension and modification of new markets tax credit.

Sec. 203. Election to deduct State and local general sales taxes.

Sec. 204. Extension and modification of research credit.

Sec. 205. Work opportunity tax credit and welfare-to-work credit.

Sec. 206. Election to include combat pay as earned income for purposes of
earned income credit.

Sec. 207. Extension and modification of qualified zone academy bonds.

Sec. 208. Above-the-line deduction for certain expenses of elementary and sec-
ondary school teachers.

Sec. 209. Extension and expansion of expensing of brownfields remediation
costs.

Sec. 210. Tax incentives for investment in the District of Columbia.

Sec. 211. Indian employment tax credit.

Sec. 212. Accelerated depreciation for business property on Indian reservations.

Sec. 213. Fifteen-year straight-line cost recovery for qualified leasehold im-
provements and qualified restaurant property.

Sec. 214. Cover over of tax on distilled spirits.

Sec. 215. Parity in application of certain limits to mental health benefits.

Sec. 216. Corporate donations of scientific property used for research and of
computer technology and equipment.

- Sec. 217. Availability of medical savings accounts.
- Sec. 218. Taxable income limit on percentage depletion for oil and natural gas produced from marginal properties.
- Sec. 219. American Samoa economic development credit.
- Sec. 220. Restructuring of New York Liberty Zone tax credits.
- Sec. 221. Extension of bonus depreciation for certain qualified Gulf Opportunity Zone property.
- Sec. 222. Authority for undercover operations.
- Sec. 223. Disclosures of certain tax return information.

Subtitle B—Other Provisions

- Sec. 231. Deduction allowable with respect to income attributable to domestic production activities in Puerto Rico.
- Sec. 232. Credit for prior year minimum tax liability made refundable after period of years.
- Sec. 233. Returns required in connection with certain options.
- Sec. 234. Partial expensing for advanced mine safety equipment.
- Sec. 235. Mine rescue team training tax credit.
- Sec. 236. Whistleblower reforms.
- Sec. 237. Frivolous tax submissions.
- Sec. 238. Addition of meningococcal and human papillomavirus vaccines to list of taxable vaccines.
- Sec. 239. Clarification of taxation of certain settlement funds made permanent.
- Sec. 240. Modification of active business definition under section 355 made permanent.
- Sec. 241. Revision of State veterans limit made permanent.
- Sec. 242. Capital gains treatment for certain self-created musical works made permanent.
- Sec. 243. Reduction in minimum vessel tonnage which qualifies for tonnage tax made permanent.
- Sec. 244. Modification of special arbitrage rule for certain funds made permanent.
- Sec. 245. Great Lakes domestic shipping to not disqualify vessel from tonnage tax.
- Sec. 246. Use of qualified mortgage bonds to finance residences for veterans without regard to first-time homebuyer requirement.
- Sec. 247. Exclusion of gain from sale of a principal residence by certain employees of the intelligence community.
- Sec. 248. Treatment of coke and coke gas.
- Sec. 249. Sale of property by judicial officers.
- Sec. 250. Premiums for mortgage insurance.
- Sec. 251. Modification of refunds for kerosene used in aviation.
- Sec. 252. Deduction for qualified timber gain.
- Sec. 253. Credit to holders of rural renaissance bonds.
- Sec. 254. Restoration of deduction for travel expenses of spouse, etc. accompanying taxpayer on business travel.
- Sec. 255. Technical corrections.

TITLE III—SURFACE MINING CONTROL AND RECLAMATION ACT AMENDMENTS OF 2006

- Sec. 301. Short title.

Subtitle A—Mining Control and Reclamation

- Sec. 311. Abandoned Mine Reclamation Fund and purposes.
- Sec. 312. Reclamation fee.
- Sec. 313. Objectives of Fund.
- Sec. 314. Reclamation of rural land.
- Sec. 315. Liens.
- Sec. 316. Certification.
- Sec. 317. Remining incentives.
- Sec. 318. Extension of limitation on application of prohibition on issuance of permit.
- Sec. 319. Tribal regulation of surface coal mining and reclamation operations.

Subtitle B—Coal Industry Retiree Health Benefit Act

- Sec. 321. Certain related persons and successors in interest relieved of liability if premiums prepaid.
- Sec. 322. Transfers to funds; premium relief.
- Sec. 323. Other provisions.

TITLE IV—INCREASE IN MINIMUM WAGE

- Sec. 401. Minimum Wage.
- Sec. 402. Tipped Wage Fairness.

1 **TITLE I—REFORM AND EXTEN-**
 2 **SION OF ESTATE TAX AFTER**
 3 **2009**

4 **SEC. 101. REFORM AND EXTENSION OF ESTATE TAX AFTER**
 5 **2009.**

6 (a) RESTORATION OF UNIFIED CREDIT AGAINST
 7 GIFT TAX.—Paragraph (1) of section 2505(a) (relating
 8 to general rule for unified credit against gift tax), after
 9 the application of subsection (g), is amended by striking
 10 “(determined as if the applicable exclusion amount were
 11 \$1,000,000)”.

12 (b) EXCLUSION EQUIVALENT OF UNIFIED CREDIT
 13 INCREASED TO \$5,000,000.—Subsection (c) of section
 14 2010 (relating to unified credit against estate tax) is
 15 amended to read as follows:

1 “(c) APPLICABLE CREDIT AMOUNT.—

2 “(1) IN GENERAL.—For purposes of this sec-
3 tion, the applicable credit amount is the amount of
4 the tentative tax which would be determined under
5 the rate schedule set forth in section 2001(c) if the
6 amount with respect to which such tentative tax is
7 to be computed were the applicable exclusion
8 amount.

9 “(2) APPLICABLE EXCLUSION AMOUNT.—

10 “(A) IN GENERAL.—For purposes of this
11 subsection, the applicable exclusion amount is
12 as follows:

13 “(i) For calendar year 2010,
14 \$3,750,000.

15 “(ii) For calendar year 2011,
16 \$4,000,000.

17 “(iii) For calendar year 2012,
18 \$4,250,000.

19 “(iv) For calendar year 2013,
20 \$4,500,000.

21 “(v) For calendar year 2014,
22 \$4,750,000.

23 “(vi) For calendar year 2015 and
24 thereafter, \$5,000,000.

1 “(B) INFLATION ADJUSTMENT.—In the
2 case of any decedent dying in a calendar year
3 after 2015, the \$5,000,000 amount in subpara-
4 graph (A)(vi) shall be increased by an amount
5 equal to—

6 “(i) such dollar amount, multiplied by

7 “(ii) the cost-of-living adjustment de-
8 termined under section 1(f)(3) for such
9 calendar year by substituting ‘calendar
10 year 2014’ for ‘calendar year 1992’ in sub-
11 paragraph (B) thereof.

12 If any amount as adjusted under the preceding
13 sentence is not a multiple of \$100,000, such
14 amount shall be rounded to the nearest multiple
15 of \$100,000.”.

16 (c) RATE SCHEDULE.—

17 (1) IN GENERAL.—Subsection (c) of section
18 2001 (relating to rate schedule) is amended to read
19 as follows:

20 “(c) RATE SCHEDULE.—

21 “(1) IN GENERAL.—The tentative tax is equal
22 to the sum of—

23 “(A) the product of the rate specified in
24 section 1(h)(1)(C) in effect on the date of the
25 decedent’s death multiplied by so much of the

1 sum described in subsection (b)(1) as does not
2 exceed \$25,000,000, and

3 “(B) the applicable percentage effective on
4 the date of the decedent’s death of so much of
5 the sum described in subsection (b)(1) as ex-
6 ceeds \$25,000,000.

7 “(2) APPLICABLE PERCENTAGE.—For purposes
8 of paragraph (1)(B), the applicable percentage is—

9 “(A) in the case the decedent’s death is in
10 2010, 40 percent,

11 “(B) in the case the decedent’s death is in
12 2011, 38 percent,

13 “(C) in the case the decedent’s death is in
14 2012, 36 percent,

15 “(D) in the case the decedent’s death is in
16 2013, 34 percent,

17 “(E) in the case the decedent’s death is in
18 2014, 32 percent, and

19 “(F) in the case the decedent’s death is in
20 2015 or thereafter, 30 percent.

21 “(3) INFLATION ADJUSTMENT.—In the case of
22 any decedent dying in a calendar year after 2015,
23 each \$25,000,000 amount in subparagraphs (A) and
24 (B) of paragraph (1) shall be increased by an
25 amount equal to—

1 “(A) such dollar amount, multiplied by
2 “(B) the cost-of-living adjustment deter-
3 mined under section 1(f)(3) for such calendar
4 year by substituting ‘calendar year 2014’ for
5 ‘calendar year 1992’ in subparagraph (B)
6 thereof.

7 If any amount as adjusted under the preceding sen-
8 tence is not a multiple of \$100,000, such amount
9 shall be rounded to the nearest multiple of
10 \$100,000.”.

11 (2) CONFORMING AMENDMENT.—Section
12 2502(a) (relating to computation of tax), after the
13 application of subsection (g), is amended by adding
14 at the end the following flush sentence:

15 “In computing the tentative tax under section 2001(c) for
16 purposes of this subsection, ‘the last day of the calendar
17 year in which the gift was made’ shall be substituted for
18 ‘the date of the decedent’s death’ each place it appears
19 in such section.”.

20 (d) MODIFICATIONS OF ESTATE AND GIFT TAXES TO
21 REFLECT DIFFERENCES IN UNIFIED CREDIT RESULTING
22 FROM DIFFERENT TAX RATES.—

23 (1) ESTATE TAX.—

24 (A) IN GENERAL.—Section 2001(b)(2) (re-
25 lating to computation of tax) is amended by

1 striking “if the provisions of subsection (e) (as
2 in effect at the decedent’s death)” and inserting
3 “if the modifications described in subsection
4 (g)”.

5 (B) MODIFICATIONS.—Section 2001 is
6 amended by adding at the end the following
7 new subsection:

8 “(g) MODIFICATIONS TO GIFT TAX PAYABLE TO RE-
9 FLECT DIFFERENT TAX RATES.—For purposes of apply-
10 ing subsection (b)(2) with respect to 1 or more gifts, the
11 rates of tax under subsection (e) in effect on the date of
12 the decedent’s death shall, in lieu of the rates of tax in
13 effect at the time of such gifts, be used both to compute—

14 “(1) the tax imposed by chapter 12 with respect
15 to such gifts, and

16 “(2) the credit allowed against such tax under
17 section 2505, including in computing—

18 “(A) the applicable credit amount under
19 section 2505(a)(1), and

20 “(B) the sum of the amounts allowed as a
21 credit for all preceding periods under section
22 2505(a)(2).

23 For purposes of paragraph (2)(A), the applicable
24 credit amount for any calendar year before 1998 is
25 the amount which would be determined under sec-

1 tion 2010(c) if the applicable exclusion amount were
2 the dollar amount under section 6018(a)(1) for such
3 year.”.

4 (2) GIFT TAX.—Section 2505(a) (relating to
5 unified credit against gift tax), after the application
6 of subsection (g), is amended by adding at the end
7 the following new flush sentence:

8 “For purposes of applying paragraph (2) for any calendar
9 year, the rate schedule under section 2001(c) used in com-
10 puting the applicable credit amount under paragraph (1)
11 for such calendar year shall, in lieu of the rates of tax
12 in effect for preceding calendar periods, be used in deter-
13 mining the amounts allowable as a credit under this sec-
14 tion for all preceding calendar periods.”.

15 (e) REPEAL OF DEDUCTION FOR STATE DEATH
16 TAXES.—

17 (1) IN GENERAL.—Section 2058 (relating to
18 State death taxes) is amended by adding at the end
19 the following:

20 “(c) TERMINATION.—This section shall not apply to
21 the estates of decedents dying after December 31, 2009.”.

22 (2) CONFORMING AMENDMENT.—Section
23 2106(a)(4) is amended by adding at the end the fol-
24 lowing new sentence: “This paragraph shall not

1 apply to the estates of decedents dying after Decem-
2 ber 31, 2009.”.

3 (f) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to estates of decedents dying, gen-
5 eration-skipping transfers, and gifts made, after Decem-
6 ber 31, 2009.

7 (g) ADDITIONAL MODIFICATIONS TO ESTATE TAX.—

8 (1) IN GENERAL.—The following provisions of
9 the Economic Growth and Tax Relief Reconciliation
10 Act of 2001, and the amendments made by such
11 provisions, are hereby repealed:

12 (A) Subtitles A and E of title V.

13 (B) Subsection (d), and so much of sub-
14 section (f)(3) as relates to subsection (d), of
15 section 511.

16 (C) Paragraph (2) of subsection (b), and
17 paragraph (2) of subsection (e), of section 521.

18 The Internal Revenue Code of 1986 shall be applied
19 as if such provisions and amendments had never
20 been enacted.

21 (2) SUNSET NOT TO APPLY.—Section 901 of
22 the Economic Growth and Tax Relief Reconciliation
23 Act of 2001 shall not apply to title V (other than
24 subtitles F, G, and H thereof) of such Act.

25 (3) REPEAL OF DEADWOOD.—

1 (A) Sections 2011, 2057, and 2604 of the
2 Internal Revenue Code of 1986 are hereby re-
3 pealed.

4 (B) The table of sections for part II of
5 subchapter A of chapter 11 of such Code is
6 amended by striking the item relating to section
7 2011.

8 (C) The table of sections for part IV of
9 subchapter A of chapter 11 of such Code is
10 amended by striking the item relating to section
11 2057.

12 (D) The table of sections for subchapter A
13 of chapter 13 of such Code is amended by strik-
14 ing the item relating to section 2604.

15 **SEC. 102. UNIFIED CREDIT INCREASED BY UNUSED UNI-**
16 **FIED CREDIT OF DECEASED SPOUSE.**

17 (a) IN GENERAL.—Subsection (c) of section 2010
18 (defining applicable credit amount), as amended by section
19 101(b), is amended by striking paragraph (2) and insert-
20 ing the following new paragraphs:

21 “(2) APPLICABLE EXCLUSION AMOUNT.—For
22 purposes of this subsection, the applicable exclusion
23 amount is the sum of—

24 “(A) the basic exclusion amount, and

1 “(B) in the case of a surviving spouse, the
2 aggregate deceased spousal unused exclusion
3 amount.

4 “(3) BASIC EXCLUSION AMOUNT.—

5 “(A) IN GENERAL.—For purposes of this
6 subsection, the basic exclusion amount is as fol-
7 lows:

8 “(i) For calendar year 2010,
9 \$3,750,000.

10 “(ii) For calendar year 2011,
11 \$4,000,000.

12 “(iii) For calendar year 2012,
13 \$4,250,000.

14 “(iv) For calendar year 2013,
15 \$4,500,000.

16 “(v) For calendar year 2014,
17 \$4,750,000.

18 “(vi) For calendar year 2015 and
19 thereafter, \$5,000,000.

20 “(B) INFLATION ADJUSTMENT.—In the
21 case of any decedent dying in a calendar year
22 after 2015, the \$5,000,000 amount in subpara-
23 graph (A)(vi) shall be increased by an amount
24 equal to—

25 “(i) such dollar amount, multiplied by

1 “(ii) the cost-of-living adjustment de-
2 termined under section 1(f)(3) for such
3 calendar year by substituting ‘calendar
4 year 2014’ for ‘calendar year 1992’ in sub-
5 paragraph (B) thereof.

6 If any amount as adjusted under the preceding
7 sentence is not a multiple of \$100,000, such
8 amount shall be rounded to the nearest multiple
9 of \$100,000.

10 “(4) AGGREGATE DECEASED SPOUSAL UNUSED
11 EXCLUSION AMOUNT.—For purposes of this sub-
12 section, the term ‘aggregate deceased spousal unused
13 exclusion amount’ means the lesser of—

14 “(A) the basic exclusion amount, or

15 “(B) the sum of the deceased spousal un-
16 used exclusion amounts of the surviving spouse.

17 “(5) DECEASED SPOUSAL UNUSED EXCLUSION
18 AMOUNT.—For purposes of this subsection, the term
19 ‘deceased spousal unused exclusion amount’ means,
20 with respect to the surviving spouse of any deceased
21 spouse dying after December 31, 2009, the excess (if
22 any) of—

23 “(A) the applicable exclusion amount of
24 the deceased spouse, over

1 “(B) the amount with respect to which the
2 tentative tax is determined under section
3 2001(b)(1) on the estate of such deceased
4 spouse.

5 “(6) SPECIAL RULES.—

6 “(A) ELECTION REQUIRED.—A deceased
7 spousal unused exclusion amount may not be
8 taken into account by a surviving spouse under
9 paragraph (5) unless the executor of the estate
10 of the deceased spouse files an estate tax return
11 on which such amount is computed and makes
12 an election on such return that such amount
13 may be so taken into account. Such election,
14 once made, shall be irrevocable. No election
15 may be made under this subparagraph if such
16 return is filed after the time prescribed by law
17 (including extensions) for filing such return.

18 “(B) EXAMINATION OF PRIOR RETURNS
19 AFTER EXPIRATION OF PERIOD OF LIMITATIONS
20 WITH RESPECT TO DECEASED SPOUSAL UN-
21 USED EXCLUSION AMOUNT.—Notwithstanding
22 any period of limitation in section 6501, after
23 the time has expired under section 6501 within
24 which a tax may be assessed under chapter 11
25 or 12 with respect to a deceased spousal unused

1 exclusion amount, the Secretary may examine a
2 return of the deceased spouse to make deter-
3 minations with respect to such amount for pur-
4 poses of carrying out this subsection.

5 “(7) REGULATIONS.—The Secretary shall pre-
6 scribe such regulations as may be necessary or ap-
7 propriate to carry out this subsection.”.

8 (b) CONFORMING AMENDMENTS.—

9 (1) Paragraph (1) of section 2505(a), as
10 amended by section 101, is amended to read as fol-
11 lows:

12 “(1) the applicable credit amount under section
13 2010(e) which would apply if the donor died as of
14 the end of the calendar year, reduced by”.

15 (2) Section 2631(e) is amended by striking “the
16 applicable exclusion amount” and inserting “the
17 basic exclusion amount”.

18 (3) Section 6018(a)(1), after the application of
19 section 101(g), is amended by striking “applicable
20 exclusion amount” and inserting “basic exclusion
21 amount”.

22 (c) EFFECTIVE DATE.—The amendments made by
23 this section shall apply to estates of decedents dying, gen-
24 eration-skipping transfers, and gifts made, after Decem-
25 ber 31, 2009.

1 **TITLE II—EXTENSION AND EX-**
2 **PANSION OF CERTAIN TAX**
3 **RELIEF PROVISIONS**

4 **Subtitle A—Extension and**
5 **Modification of Certain Provisions**

6 **SEC. 201. DEDUCTION FOR QUALIFIED TUITION AND RE-**
7 **LATED EXPENSES.**

8 (a) **IN GENERAL.**—Section 222(e) is amended by
9 striking “2005” and inserting “2007”.

10 (b) **CONFORMING AMENDMENTS.**—Section
11 222(b)(2)(B) is amended—

12 (1) by striking “a taxable year beginning in
13 2004 or 2005” and inserting “any taxable year be-
14 ginning after 2003”, and

15 (2) by striking “2004 AND 2005” in the heading
16 and inserting “AFTER 2003”.

17 (c) **EFFECTIVE DATE.**—The amendments made by
18 this section shall apply to taxable years beginning after
19 December 31, 2005.

20 **SEC. 202. EXTENSION AND MODIFICATION OF NEW MAR-**
21 **KETS TAX CREDIT.**

22 (a) **EXTENSION.**—Section 45D(f)(1)(D) is amended
23 by striking “and 2007” and inserting “, 2007, and 2008”.

24 (b) **REGULATIONS REGARDING NON-METROPOLITAN**
25 **COUNTIES.**—Section 45D(i) is amended by striking “and”

1 at the end of paragraph (4), by striking the period at the
2 end of paragraph (5) and inserting “, and”, and by adding
3 at the end the following new paragraph:

4 “(6) which ensure that non-metropolitan coun-
5 ties receive a proportional allocation of qualified eq-
6 uity investments.”.

7 (c) EFFECTIVE DATE.—The amendments made by
8 this section shall take effect on the date of the enactment
9 of this Act.

10 **SEC. 203. ELECTION TO DEDUCT STATE AND LOCAL GEN-**
11 **ERAL SALES TAXES.**

12 (a) IN GENERAL.—Section 164(b)(5)(I) is amended
13 by striking “2006” and inserting “2008”.

14 (b) EFFECTIVE DATE.—The amendments made by
15 this section shall apply to taxable years beginning after
16 December 31, 2005.

17 **SEC. 204. EXTENSION AND MODIFICATION OF RESEARCH**
18 **CREDIT.**

19 (a) EXTENSION.—

20 (1) IN GENERAL.—Section 41(h)(1)(B) is
21 amended by striking “2005” and inserting “2007”.

22 (2) CONFORMING AMENDMENT.—Section
23 45C(b)(1)(D) is amended by striking “2005” and
24 inserting “2007”.

1 (3) EFFECTIVE DATE.—The amendments made
2 by this subsection shall apply to amounts paid or in-
3 curred after December 31, 2005.

4 (b) INCREASE IN RATES OF ALTERNATIVE INCRE-
5 MENTAL CREDIT.—

6 (1) IN GENERAL.—Subparagraph (A) of section
7 41(c)(4) (relating to election of alternative incre-
8 mental credit) is amended—

9 (A) by striking “2.65 percent” and insert-
10 ing “3 percent”,

11 (B) by striking “3.2 percent” and inserting
12 “4 percent”, and

13 (C) by striking “3.75 percent” and insert-
14 ing “5 percent”.

15 (2) EFFECTIVE DATE.—The amendments made
16 by this subsection shall apply to amounts paid or in-
17 curred after December 31, 2006.

18 (c) ALTERNATIVE SIMPLIFIED CREDIT FOR QUALI-
19 FIED RESEARCH EXPENSES.—

20 (1) IN GENERAL.—Subsection (c) of section 41
21 (relating to base amount) is amended by redesign-
22 nating paragraphs (5) and (6) as paragraphs (6)
23 and (7), respectively, and by inserting after para-
24 graph (4) the following new paragraph:

1 “(5) ELECTION OF ALTERNATIVE SIMPLIFIED
2 CREDIT.—

3 “(A) IN GENERAL.—At the election of the
4 taxpayer, the credit determined under sub-
5 section (a)(1) shall be equal to 12 percent of so
6 much of the qualified research expenses for the
7 taxable year as exceeds 50 percent of the aver-
8 age qualified research expenses for the 3 tax-
9 able years preceding the taxable year for which
10 the credit is being determined.

11 “(B) SPECIAL RULE IN CASE OF NO
12 QUALIFIED RESEARCH EXPENSES IN ANY OF 3
13 PRECEDING TAXABLE YEARS.—

14 “(i) TAXPAYERS TO WHICH SUBPARA-
15 GRAPH APPLIES.—The credit under this
16 paragraph shall be determined under this
17 subparagraph if the taxpayer has no quali-
18 fied research expenses in any one of the 3
19 taxable years preceding the taxable year
20 for which the credit is being determined.

21 “(ii) CREDIT RATE.—The credit de-
22 termined under this subparagraph shall be
23 equal to 6 percent of the qualified research
24 expenses for the taxable year.

1 “(C) ELECTION.—An election under this
2 paragraph shall apply to the taxable year for
3 which made and all succeeding taxable years
4 unless revoked with the consent of the Sec-
5 retary. An election under this paragraph may
6 not be made for any taxable year to which an
7 election under paragraph (4) applies.”.

8 (2) COORDINATION WITH ELECTION OF ALTER-
9 NATIVE INCREMENTAL CREDIT.—

10 (A) IN GENERAL.—Section 41(c)(4)(B)
11 (relating to election) is amended by adding at
12 the end the following: “An election under this
13 paragraph may not be made for any taxable
14 year to which an election under paragraph (5)
15 applies.”.

16 (B) TRANSITION RULE.—In the case of an
17 election under section 41(c)(4) of the Internal
18 Revenue Code of 1986 which applies to the tax-
19 able year which includes the date of the enact-
20 ment of this Act, such election shall be treated
21 as revoked with the consent of the Secretary of
22 the Treasury if the taxpayer makes an election
23 under section 41(c)(5) of such Code (as added
24 by subsection (c)) for such year.

1 (3) EFFECTIVE DATE.—The amendments made
2 by this subsection shall apply to amounts paid or in-
3 curred after December 31, 2006.

4 **SEC. 205. WORK OPPORTUNITY TAX CREDIT AND WELFARE-**
5 **TO-WORK CREDIT.**

6 (a) IN GENERAL.—Sections 51(c)(4)(B) and 51A(f)
7 are each amended by striking “2005” and inserting
8 “2007”.

9 (b) ELIGIBILITY OF EX-FELONS DETERMINED
10 WITHOUT REGARD TO FAMILY INCOME.—Paragraph (4)
11 of section 51(d) is amended by adding “and” at the end
12 of subparagraph (A), by striking “, and” at the end of
13 subparagraph (B) and inserting a period, and by striking
14 all that follows subparagraph (B).

15 (c) INCREASE IN MAXIMUM AGE FOR ELIGIBILITY OF
16 FOOD STAMP RECIPIENTS.—Clause (i) of section
17 51(d)(8)(A) is amended by striking “25” and inserting
18 “40”.

19 (d) EXTENSION OF PAPERWORK FILING DEAD-
20 LINE.—Section 51(d)(12)(A)(ii)(II) is amended by strik-
21 ing “21st day” and inserting “28th day”.

22 (e) CONSOLIDATION OF WORK OPPORTUNITY CRED-
23 IT WITH WELFARE-TO-WORK CREDIT.—

24 (1) IN GENERAL.—Paragraph (1) of section
25 51(d) is amended by striking “or” at the end of sub-

1 paragraph (G), by striking the period at the end of
2 subparagraph (H) and inserting “, or”, and by add-
3 ing at the end the following new subparagraph:

4 “(I) a long-term family assistance recipi-
5 ent.”.

6 (2) LONG-TERM FAMILY ASSISTANCE RECIPI-
7 ENT.—Subsection (d) of section 51 is amended by
8 redesignating paragraphs (10) through (12) as para-
9 graphs (11) through (13), respectively, and by in-
10 sserting after paragraph (9) the following new para-
11 graph:

12 “(10) LONG-TERM FAMILY ASSISTANCE RECIPI-
13 ENT.—The term ‘long-term family assistance recipi-
14 ent’ means any individual who is certified by the
15 designated local agency—

16 “(A) as being a member of a family receiv-
17 ing assistance under a IV–A program (as de-
18 fined in paragraph (2)(B)) for at least the 18-
19 month period ending on the hiring date,

20 “(B)(i) as being a member of a family re-
21 ceiving such assistance for 18 months beginning
22 after August 5, 1997, and

23 “(ii) as having a hiring date which is not
24 more than 2 years after the end of the earliest
25 such 18-month period, or

1 “(C)(i) as being a member of a family
2 which ceased to be eligible for such assistance
3 by reason of any limitation imposed by Federal
4 or State law on the maximum period such as-
5 sistance is payable to a family, and

6 “(ii) as having a hiring date which is not
7 more than 2 years after the date of such ces-
8 sation.”.

9 (3) INCREASED CREDIT FOR EMPLOYMENT OF
10 LONG-TERM FAMILY ASSISTANCE RECIPIENTS.—Sec-
11 tion 51 is amended by inserting after subsection (d)
12 the following new subsection:

13 “(e) CREDIT FOR SECOND-YEAR WAGES FOR EM-
14 PLOYMENT OF LONG-TERM FAMILY ASSISTANCE RECIPI-
15 ENTS.—

16 “(1) IN GENERAL.—With respect to the em-
17 ployment of a long-term family assistance recipi-
18 ent—

19 “(A) the amount of the work opportunity
20 credit determined under this section for the tax-
21 able year shall include 50 percent of the quali-
22 fied second-year wages for such year, and

23 “(B) in lieu of applying subsection (b)(3),
24 the amount of the qualified first-year wages,
25 and the amount of qualified second-year wages,

1 which may be taken into account with respect
2 to such a recipient shall not exceed \$10,000 per
3 year.

4 “(2) QUALIFIED SECOND-YEAR WAGES.—For
5 purposes of this subsection, the term ‘qualified sec-
6 ond-year wages’ means qualified wages—

7 “(A) which are paid to a long-term family
8 assistance recipient, and

9 “(B) which are attributable to service ren-
10 dered during the 1-year period beginning on the
11 day after the last day of the 1-year period with
12 respect to such recipient determined under sub-
13 section (b)(2).

14 “(3) SPECIAL RULES FOR AGRICULTURAL AND
15 RAILWAY LABOR.—If such recipient is an employee
16 to whom subparagraph (A) or (B) of subsection
17 (h)(1) applies, rules similar to the rules of such sub-
18 paragraphs shall apply except that—

19 “(A) such subparagraph (A) shall be ap-
20 plied by substituting ‘\$10,000’ for ‘\$6,000’, and

21 “(B) such subparagraph (B) shall be ap-
22 plied by substituting ‘\$833.33’ for ‘\$500’.”.

23 (4) REPEAL OF SEPARATE WELFARE-TO-WORK
24 CREDIT.—

1 (A) IN GENERAL.—Section 51A is hereby
2 repealed.

3 (B) CLERICAL AMENDMENT.—The table of
4 sections for subpart F of part IV of subchapter
5 A of chapter 1 is amended by striking the item
6 relating to section 51A.

7 (f) EFFECTIVE DATES.—

8 (1) IN GENERAL.—Except as provided in para-
9 graph (2), the amendments made by this section
10 shall apply to individuals who begin work for the
11 employer after December 31, 2005.

12 (2) CONSOLIDATION.—The amendments made
13 by subsections (b), (c), (d), and (e) shall apply to in-
14 dividuals who begin work for the employer after De-
15 cember 31, 2006.

16 **SEC. 206. ELECTION TO INCLUDE COMBAT PAY AS EARNED**
17 **INCOME FOR PURPOSES OF EARNED INCOME**
18 **CREDIT.**

19 (a) IN GENERAL.—Section 32(c)(2)(B)(vi)(II) is
20 amended by striking “2007” and inserting “2008”.

21 (b) EFFECTIVE DATE.—The amendment made by
22 this section shall apply to taxable years beginning after
23 December 31, 2006.

1 **SEC. 207. EXTENSION AND MODIFICATION OF QUALIFIED**
2 **ZONE ACADEMY BONDS.**

3 (a) IN GENERAL.—Paragraph (1) of section
4 1397E(e) is amended by striking “and 2005” and insert-
5 ing “2005, 2006, and 2007”.

6 (b) SPECIAL RULES RELATING TO EXPENDITURES,
7 ARBITRAGE, AND REPORTING.—

8 (1) IN GENERAL.—Section 1397E is amend-
9 ed—

10 (A) in subsection (d)(1), by striking “and”
11 at the end of subparagraph (C)(iii), by striking
12 the period at the end of subparagraph (D) and
13 inserting “, and”, and by adding at the end the
14 following new subparagraph:

15 “(E) the issue meets the requirements of
16 subsections (f), (g), and (h).”, and

17 (B) by redesignating subsections (f), (g),
18 (h), and (i) as subsection (i), (j), (k), and (l),
19 respectively, and by inserting after subsection
20 (e) the following new subsections:

21 “(f) SPECIAL RULES RELATING TO EXPENDI-
22 TURES.—

23 “(1) IN GENERAL.—An issue shall be treated as
24 meeting the requirements of this subsection if, as of
25 the date of issuance, the issuer reasonably expects—

1 “(A) at least 95 percent of the proceeds
2 from the sale of the issue are to be spent for
3 1 or more qualified purposes with respect to
4 qualified zone academies within the 5-year pe-
5 riod beginning on the date of issuance of the
6 qualified zone academy bond,

7 “(B) a binding commitment with a third
8 party to spend at least 10 percent of the pro-
9 ceeds from the sale of the issue will be incurred
10 within the 6-month period beginning on the
11 date of issuance of the qualified zone academy
12 bond, and

13 “(C) such purposes will be completed with
14 due diligence and the proceeds from the sale of
15 the issue will be spent with due diligence.

16 “(2) EXTENSION OF PERIOD.—Upon submis-
17 sion of a request prior to the expiration of the period
18 described in paragraph (1)(A), the Secretary may
19 extend such period if the issuer establishes that the
20 failure to satisfy the 5-year requirement is due to
21 reasonable cause and the related purposes will con-
22 tinue to proceed with due diligence.

23 “(3) FAILURE TO SPEND REQUIRED AMOUNT
24 OF BOND PROCEEDS WITHIN 5 YEARS.—To the ex-
25 tent that less than 95 percent of the proceeds of

1 such issue are expended by the close of the 5-year
2 period beginning on the date of issuance (or if an
3 extension has been obtained under paragraph (2), by
4 the close of the extended period), the issuer shall re-
5 deem all of the nonqualified bonds within 90 days
6 after the end of such period. For purposes of this
7 paragraph, the amount of the nonqualified bonds re-
8 quired to be redeemed shall be determined in the
9 same manner as under section 142.

10 “(g) SPECIAL RULES RELATING TO ARBITRAGE.—

11 An issue shall be treated as meeting the requirements of
12 this subsection if the issuer satisfies the arbitrage require-
13 ments of section 148 with respect to proceeds of the issue.

14 “(h) REPORTING.—Issuers of qualified academy zone
15 bonds shall submit reports similar to the reports required
16 under section 149(e).”

17 (2) CONFORMING AMENDMENTS.—Sections
18 54(l)(3)(B) and 1400N(l)(7)(B)(ii) are each amend-
19 ed by striking “section 1397E(i)” and inserting
20 “section 1397E(l)”.

21 (c) EFFECTIVE DATES.—

22 (1) EXTENSION.—The amendment made by
23 subsection (a) shall apply to obligations issued after
24 December 31, 2005.

1 (2) SPECIAL RULES.—The amendments made
2 by subsection (b) shall apply to obligations issued
3 after the date of the enactment of this Act pursuant
4 to allocations of the national zone academy bond
5 limitation for calendar years after 2005.

6 **SEC. 208. ABOVE-THE-LINE DEDUCTION FOR CERTAIN EX-**
7 **PENSES OF ELEMENTARY AND SECONDARY**
8 **SCHOOL TEACHERS.**

9 (a) IN GENERAL.—Subparagraph (D) of section
10 62(a)(2) is amended by striking “or 2005” and inserting
11 “2005, 2006, or 2007”.

12 (b) EFFECTIVE DATE.—The amendment made by
13 this section shall apply to taxable years beginning after
14 December 31, 2005.

15 **SEC. 209. EXTENSION AND EXPANSION OF EXPENSING OF**
16 **BROWNFIELDS REMEDIATION COSTS.**

17 (a) EXTENSION.—Subsection (h) of section 198 is
18 amended by striking “2005” and inserting “2007”.

19 (b) EXPANSION.—Section 198(d)(1) (defining haz-
20 ardous substance) is amended by striking “and” at the
21 end of subparagraph (A), by striking the period at the
22 end of subparagraph (B) and inserting “, and”, and by
23 adding at the end the following new subparagraph:

24 “(C) any petroleum product (as defined in
25 section 4612(a)(3)).”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to expenditures paid or incurred
3 after December 31, 2005.

4 **SEC. 210. TAX INCENTIVES FOR INVESTMENT IN THE DIS-**
5 **TRICT OF COLUMBIA.**

6 (a) DESIGNATION OF ZONE.—

7 (1) IN GENERAL.—Subsection (f) of section
8 1400 is amended by striking “2005” both places it
9 appears and inserting “2007”.

10 (2) EFFECTIVE DATE.—The amendments made
11 by this subsection shall apply to periods beginning
12 after December 31, 2005.

13 (b) TAX-EXEMPT ECONOMIC DEVELOPMENT
14 BONDS.—

15 (1) IN GENERAL.—Subsection (b) of section
16 1400A is amended by striking “2005” and inserting
17 “2007”.

18 (2) EFFECTIVE DATE.—The amendment made
19 by this subsection shall apply to bonds issued after
20 December 31, 2005.

21 (c) ZERO PERCENT CAPITAL GAINS RATE.—

22 (1) IN GENERAL.—Subsection (b) of section
23 1400B is amended by striking “2006” each place it
24 appears and inserting “2008”.

25 (2) CONFORMING AMENDMENTS.—

1 (A) Section 1400B(e)(2) is amended—

2 (i) by striking “2010” and inserting
3 “2012”, and

4 (ii) by striking “2010” in the heading
5 thereof and inserting “2012”.

6 (B) Section 1400B(g)(2) is amended by
7 striking “2010” and inserting “2012”.

8 (C) Section 1400F(d) is amended by strik-
9 ing “2010” and inserting “2012”.

10 (3) EFFECTIVE DATES.—

11 (A) EXTENSION.—The amendments made
12 by paragraph (1) shall apply to acquisitions
13 after December 31, 2005.

14 (B) CONFORMING AMENDMENTS.—The
15 amendments made by paragraph (2) shall take
16 effect on the date of the enactment of this Act.

17 (d) FIRST-TIME HOMEBUYER CREDIT.—

18 (1) IN GENERAL.—Subsection (i) of section
19 1400C is amended by striking “2006” and inserting
20 “2008”.

21 (2) EFFECTIVE DATE.—The amendment made
22 by this subsection shall apply to property purchased
23 after December 31, 2005.

1 **SEC. 211. INDIAN EMPLOYMENT TAX CREDIT.**

2 (a) IN GENERAL.—Section 45A(f) is amended by
3 striking “2005” and inserting “2007”.

4 (b) EFFECTIVE DATE.—The amendment made by
5 this section shall apply to taxable years beginning after
6 December 31, 2005.

7 **SEC. 212. ACCELERATED DEPRECIATION FOR BUSINESS**
8 **PROPERTY ON INDIAN RESERVATIONS.**

9 (a) IN GENERAL.—Section 168(j)(8) is amended by
10 striking “2005” and inserting “2007”.

11 (b) EFFECTIVE DATE.—The amendment made by
12 this section shall apply to property placed in service after
13 December 31, 2005.

14 **SEC. 213. FIFTEEN-YEAR STRAIGHT-LINE COST RECOVERY**
15 **FOR QUALIFIED LEASEHOLD IMPROVEMENTS**
16 **AND QUALIFIED RESTAURANT PROPERTY.**

17 (a) IN GENERAL.—Clauses (iv) and (v) of section
18 168(e)(3)(E) are each amended by striking “2006” and
19 inserting “2008”.

20 (b) TREATMENT OF RESTAURANT PROPERTY TO IN-
21 CLUDE NEW CONSTRUCTION.—Paragraph (7) of section
22 168(e) (relating to classification of property) is amended
23 to read as follows:

24 “(7) QUALIFIED RESTAURANT PROPERTY.—The
25 term ‘qualified restaurant property’ means any sec-
26 tion 1250 property which is a building or an im-

1 provement to a building if more than 50 percent of
2 the building's square footage is devoted to prepara-
3 tion of, and seating for on-premises consumption of,
4 prepared meals.”.

5 (c) EFFECTIVE DATES.—

6 (1) SUBSECTION (a).—The amendments made
7 by subsection (a) shall apply to property placed in
8 service after December 31, 2005.

9 (2) SUBSECTION (b).—The amendment made
10 by subsection (b) shall apply to property placed in
11 service after the date of the enactment of this Act.

12 **SEC. 214. COVER OVER OF TAX ON DISTILLED SPIRITS.**

13 (a) IN GENERAL.—Section 7652(f)(1) is amended by
14 striking “2006” and inserting “2008”.

15 (b) EFFECTIVE DATE.—The amendment made by
16 subsection (a) shall apply to articles brought into the
17 United States after December 31, 2005.

18 **SEC. 215. PARITY IN APPLICATION OF CERTAIN LIMITS TO**
19 **MENTAL HEALTH BENEFITS.**

20 (a) AMENDMENT TO THE INTERNAL REVENUE CODE
21 OF 1986.—Section 9812(f)(3) is amended by striking
22 “2006” and inserting “2007”.

23 (b) AMENDMENT TO THE EMPLOYEE RETIREMENT
24 INCOME SECURITY ACT OF 1974.—Section 712(f) of the
25 Employee Retirement Income Security Act of 1974 (29

1 U.S.C. 1185a(f)) is amended by striking “2006” and in-
2 serting “2007”.

3 (c) AMENDMENT TO THE PUBLIC HEALTH SERVICE
4 ACT.—Section 2705(f) of the Public Health Service Act
5 (42 U.S.C. 300gg-5(f)) is amended by striking
6 “2006” and inserting “2007”.

7 **SEC. 216. CORPORATE DONATIONS OF SCIENTIFIC PROP-**
8 **ERTY USED FOR RESEARCH AND OF COM-**
9 **PUTER TECHNOLOGY AND EQUIPMENT.**

10 (a) EXTENSION OF COMPUTER TECHNOLOGY AND
11 EQUIPMENT DONATION.—

12 (1) IN GENERAL.—Section 170(e)(6)(G) is
13 amended by striking “2005” and inserting “2007”.

14 (2) EFFECTIVE DATE.—The amendment made
15 by paragraph (1) shall apply to contributions made
16 in taxable years beginning after December 31, 2005.

17 (b) EXPANSION OF CHARITABLE CONTRIBUTION AL-
18 LOWED FOR SCIENTIFIC PROPERTY USED FOR RESEARCH
19 AND FOR COMPUTER TECHNOLOGY AND EQUIPMENT
20 USED FOR EDUCATIONAL PURPOSES.—

21 (1) SCIENTIFIC PROPERTY USED FOR RE-
22 SEARCH.—

23 (A) IN GENERAL.—Clause (ii) of section
24 170(e)(4)(B) (defining qualified research con-

1 tributions) is amended by inserting “or assem-
2 bled” after “constructed”.

3 (B) CONFORMING AMENDMENT.—Clause
4 (iii) of section 170(e)(4)(B) is amended by in-
5 serting “or assembly” after “construction”.

6 (2) COMPUTER TECHNOLOGY AND EQUIPMENT
7 FOR EDUCATIONAL PURPOSES.—

8 (A) IN GENERAL.—Clause (ii) of section
9 170(e)(6)(B) is amended by inserting “or as-
10 sembled” after “constructed” and “or assem-
11 bling” after “construction”.

12 (B) CONFORMING AMENDMENT.—Subpara-
13 graph (D) of section 170(e)(6) is amended by
14 inserting “or assembled” after “constructed”
15 and “or assembly” after “construction”.

16 (3) EFFECTIVE DATE.—The amendments made
17 by this subsection shall apply to taxable years begin-
18 ning after December 31, 2005.

19 **SEC. 217. AVAILABILITY OF MEDICAL SAVINGS ACCOUNTS.**

20 (a) IN GENERAL.—Paragraphs (2) and (3)(B) of sec-
21 tion 220(i) are each amended by striking “2005” each
22 place it appears in the text and headings and inserting
23 “2007”.

24 (b) CONFORMING AMENDMENTS.—

1 (1) Paragraph (2) of section 220(j) is amend-
2 ed—

3 (A) in the text by striking “or 2004” each
4 place it appears and inserting “2004, 2005, or
5 2006”, and

6 (B) in the heading by striking “OR 2004”
7 and inserting “2004, 2005, OR 2006” .

8 (2) Subparagraph (A) of section 220(j)(4) is
9 amended by striking “and 2004” and inserting
10 “2004, 2005, and 2006”.

11 (c) TIME FOR FILING REPORTS, ETC.—

12 (1) The report required by section 220(j)(4) of
13 the Internal Revenue Code of 1986 to be made on
14 August 1, 2005, shall be treated as timely if made
15 before the close of the 90-day period beginning on
16 the date of the enactment of this Act.

17 (2) The determination and publication required
18 by section 220(j)(5) of such Code with respect to
19 calendar year 2005 shall be treated as timely if
20 made before the close of the 120-day period begin-
21 ning on the date of the enactment of this Act. If the
22 determination under the preceding sentence is that
23 2005 is a cut-off year under section 220(i) of such
24 Code, the cut-off date under such section 220(i)
25 shall be the last day of such 120-day period.

1 **SEC. 218. TAXABLE INCOME LIMIT ON PERCENTAGE DEPLE-**
2 **TION FOR OIL AND NATURAL GAS PRODUCED**
3 **FROM MARGINAL PROPERTIES.**

4 (a) IN GENERAL.—Section 613A(c)(6)(H) is amend-
5 ed by striking “2006” and inserting “2008”.

6 (b) EFFECTIVE DATE.—The amendment made by
7 subsection (a) shall apply to taxable years beginning after
8 December 31, 2005.

9 **SEC. 219. AMERICAN SAMOA ECONOMIC DEVELOPMENT**
10 **CREDIT.**

11 (a) IN GENERAL.—For purposes of section 30A of
12 the Internal Revenue Code of 1986, a domestic corpora-
13 tion shall be treated as a qualified domestic corporation
14 to which such section applies if such corporation—

15 (1) is an existing credit claimant with respect
16 to American Samoa, and

17 (2) elected the application of section 936 of the
18 Internal Revenue Code of 1986 for its last taxable
19 year beginning before January 1, 2006.

20 (b) SPECIAL RULES FOR APPLICATION OF SEC-
21 TION.—The following rules shall apply in applying section
22 30A of the Internal Revenue Code of 1986 for purposes
23 of this section:

24 (1) AMOUNT OF CREDIT.—Notwithstanding sec-
25 tion 30A(a)(1) of such Code, the amount of the
26 credit determined under section 30A(a)(1) of such

1 Code for any taxable year shall be the amount deter-
2 mined under section 30A(d) of such Code, except
3 that section 30A(d) shall be applied without regard
4 to paragraph (3) thereof.

5 (2) SEPARATE APPLICATION.—In applying sec-
6 tion 30A(a)(3) of such Code in the case of a cor-
7 poration treated as a qualified domestic corporation
8 by reason of this section, section 30A of such Code
9 (and so much of section 936 of such Code as relates
10 to such section 30A) shall be applied separately with
11 respect to American Samoa.

12 (3) FOREIGN TAX CREDIT ALLOWED.—Notwith-
13 standing section 30A(e) of such Code, the provisions
14 of section 936(e) of such Code shall not apply with
15 respect to the credit allowed by reason of this sec-
16 tion.

17 (c) DEFINITIONS.—For purposes of this section, any
18 term which is used in this section which is also used in
19 section 30A or 936 of such Code shall have the same
20 meaning given such term by such section 30A or 936.

21 (d) APPLICATION OF SECTION.—Notwithstanding
22 section 30A(h) or section 936(j) of such Code, this section
23 (and so much of section 30A and section 936 of such Code
24 as relates to this section) shall apply to the first two tax-
25 able years of a corporation to which subsection (a) applies

1 which begin after December 31, 2005, and before January
2 1, 2008.

3 **SEC. 220. RESTRUCTURING OF NEW YORK LIBERTY ZONE**
4 **TAX CREDITS.**

5 (a) IN GENERAL.—Part I of subchapter Y of chapter
6 1 is amended by redesignating section 1400L as 1400K
7 and by adding at the end the following new section:

8 **“SEC. 1400L. NEW YORK LIBERTY ZONE TAX CREDITS.**

9 “(a) IN GENERAL.—In the case of a New York Lib-
10 erty Zone governmental unit, there shall be allowed as a
11 credit against any taxes imposed for any payroll period
12 by section 3402 for which such governmental unit is liable
13 under section 3403 an amount equal to so much of the
14 portion of the qualifying project expenditure amount allo-
15 cated under subsection (b)(3) to such governmental unit
16 for the calendar year as is allocated by such governmental
17 unit to such period under subsection (b)(4).

18 “(b) QUALIFYING PROJECT EXPENDITURE
19 AMOUNT.—For purposes of this section—

20 “(1) IN GENERAL.—The term ‘qualifying
21 project expenditure amount’ means, with respect to
22 any calendar year, the sum of—

23 “(A) the total expenditures paid or in-
24 curred during such calendar year by all New
25 York Liberty Zone governmental units and the

1 Port Authority of New York and New Jersey
2 for any portion of qualifying projects located
3 wholly within the City of New York, New York,
4 and

5 “(B) any such expenditures—

6 “(i) paid or incurred in any preceding
7 calendar year which begins after the date
8 of enactment of this section, and

9 “(ii) not previously allocated under
10 paragraph (3).

11 “(2) QUALIFYING PROJECT.—The term ‘quali-
12 fying project’ means any transportation infrastruc-
13 ture project, including highways, mass transit sys-
14 tems, railroads, airports, ports, and waterways, in or
15 connecting with the New York Liberty Zone (as de-
16 fined in section 1400K(h)), which is designated as a
17 qualifying project under this section jointly by the
18 Governor of the State of New York and the Mayor
19 of the City of New York, New York.

20 “(3) GENERAL ALLOCATION.—

21 “(A) IN GENERAL.—The Governor of the
22 State of New York and the Mayor of the City
23 of New York, New York, shall jointly allocate to
24 each New York Liberty Zone governmental unit
25 the portion of the qualifying project expenditure

1 amount which may be taken into account by
2 such governmental unit under subsection (a) for
3 any calendar year in the credit period.

4 “(B) AGGREGATE LIMIT.—The aggregate
5 amount which may be allocated under subpara-
6 graph (A) for all calendar years in the credit
7 period shall not exceed \$1,750,000,000.

8 “(C) ANNUAL LIMIT.—

9 “(i) IN GENERAL.—The aggregate
10 amount which may be allocated under sub-
11 paragraph (A) for any calendar year in the
12 credit period shall not exceed the sum of—

13 “(I) the applicable limit, plus

14 “(II) the aggregate amount au-
15 thorized to be allocated under this
16 paragraph for all preceding calendar
17 years in the credit period which was
18 not so allocated.

19 “(ii) APPLICABLE LIMIT.—For pur-
20 poses of clause (i), the applicable limit for
21 any calendar year is—

22 “(I) in the case of calendar years
23 2007 through 2016, \$100,000,000,

24 “(II) in the case of calendar year
25 2017 or 2018, \$200,000,000,

1 “(III) in the case of calendar
2 year 2019, \$150,000,000,

3 “(IV) in the case of calendar
4 year 2020 or 2021, \$100,000,000,
5 and

6 “(V) in the case of any calendar
7 year after 2021, zero.

8 “(D) UNALLOCATED AMOUNTS AT END OF
9 CREDIT PERIOD.—If, as of the close of the cred-
10 it period, the amount under subparagraph (B)
11 exceeds the aggregate amount allocated under
12 subparagraph (A) for all calendar years in the
13 credit period, the Governor of the State of New
14 York and the Mayor of the City of New York,
15 New York, may jointly allocate to New York
16 Liberty Zone governmental units for any cal-
17 endar year in the 5-year period following the
18 credit period an amount equal to—

19 “(i) the lesser of—

20 “(I) such excess, or

21 “(II) the qualifying project ex-
22 penditure amount for such calendar
23 year, reduced by

1 “(ii) the aggregate amount allocated
2 under this subparagraph for all preceding
3 calendar years.

4 “(4) ALLOCATION TO PAYROLL PERIODS.—
5 Each New York Liberty Zone governmental unit
6 which has been allocated a portion of the qualifying
7 project expenditure amount under paragraph (3) for
8 a calendar year may allocate such portion to payroll
9 periods beginning in such calendar year as such gov-
10 ernmental unit determines appropriate.

11 “(c) CARRYOVER OF UNUSED ALLOCATIONS.—

12 “(1) IN GENERAL.—Except as provided in para-
13 graph (2), if the amount allocated under subsection
14 (b)(3) to a New York Liberty Zone governmental
15 unit for any calendar year exceeds the aggregate
16 taxes imposed by section 3402 for which such gov-
17 ernmental unit is liable under section 3403 for peri-
18 ods beginning in such year, such excess shall be car-
19 ried to the succeeding calendar year and added to
20 the allocation of such governmental unit for such
21 succeeding calendar year. No amount may be carried
22 under the preceding sentence to a calendar year
23 after 2026.

24 “(2) REALLOCATION.—If a New York Liberty
25 Zone governmental unit does not use an amount al-

1 located to it under subsection (b)(3) within the time
2 prescribed by the Governor of the State of New York
3 and the Mayor of the City of New York, New York,
4 then such amount shall after such time be treated
5 for purposes of subsection (b)(3) in the same man-
6 ner as if it had never been allocated.

7 “(d) DEFINITIONS AND SPECIAL RULES.—For pur-
8 poses of this section—

9 “(1) CREDIT PERIOD.—The term ‘credit period’
10 means the 15-year period beginning on January 1,
11 2007.

12 “(2) NEW YORK LIBERTY ZONE GOVERN-
13 MENTAL UNIT.—The term ‘New York Liberty Zone
14 governmental unit’ means—

15 “(A) the State of New York,

16 “(B) the City of New York, New York, and

17 “(C) any agency or instrumentality of such
18 State or City.

19 “(3) TREATMENT OF FUNDS.—Any expenditure
20 for a qualifying project taken into account for pur-
21 poses of the credit under this section shall be consid-
22 ered State and local funds for the purpose of any
23 Federal program.

24 “(4) TREATMENT OF CREDIT AMOUNTS FOR
25 PURPOSES OF WITHHOLDING TAXES.—For purposes

1 of this title, a New York Liberty Zone governmental
2 unit shall be treated as having paid to the Secretary,
3 on the day on which wages are paid to employees,
4 an amount equal to the amount of the credit allowed
5 to such entity under subsection (a) with respect to
6 such wages, but only if such governmental unit de-
7 ducts and withholds wages for such payroll period
8 under section 3401 (relating to wage withholding).

9 “(e) REPORTING.—The Governor of the State of New
10 York and the Mayor of the City of New York, New York,
11 shall jointly submit to the Secretary an annual report—

12 “(1) which certifies—

13 “(A) the qualifying project expenditure
14 amount for the calendar year, and

15 “(B) the amount allocated to each New
16 York Liberty Zone governmental unit under
17 subsection (b)(3) for the calendar year, and

18 “(2) includes such other information as the
19 Secretary may require to carry out this section.

20 “(f) GUIDANCE.—The Secretary may prescribe such
21 guidance as may be necessary or appropriate to ensure
22 compliance with the purposes of this section.

23 “(g) TERMINATION.—No credit shall be allowed
24 under subsection (a) for any calendar year after 2026.”.

1 (b) TERMINATION OF CERTAIN NEW YORK LIBERTY
2 ZONE BENEFITS.—

3 (1) SPECIAL ALLOWANCE AND EXPENSING.—

4 Section 1400K(b)(2)(A)(v), as redesignated by sub-
5 section (a), is amended by striking “the termination
6 date” and inserting “the date of the enactment of
7 the Estate Tax and Extension of Tax Relief Act of
8 2006 or the termination date if pursuant to a bind-
9 ing contract in effect on such enactment date”.

10 (2) LEASEHOLD.—Section 1400K(c)(2)(B), as
11 so redesignated, is amended by striking “before Jan-
12 uary 1, 2007” and inserting “on or before the date
13 of the enactment of the Estate Tax and Extension
14 of Tax Relief Act of 2006 or before January 1,
15 2007, if pursuant to a binding contract in effect on
16 such enactment date”.

17 (c) CONFORMING AMENDMENTS.—

18 (1) Section 38(c)(3)(B) is amended by striking
19 “section 1400L(a)” and inserting “section
20 1400K(a)”.

21 (2) Section 168(k)(2)(D)(ii) is amended by
22 striking “section 1400L(c)(2)” and inserting
23 “1400K(c)(2)”.

1 (3) The table of sections for part I of sub-
2 chapter Y of chapter 1 is amended by striking
3 “1400L” and inserting “1400K”.

4 (d) EFFECTIVE DATE.—

5 (1) IN GENERAL.—Except as provided in para-
6 graph (2), the amendments made by this section
7 shall apply to periods beginning after December 31,
8 2006.

9 (2) SUBSECTION (b).—The amendments made
10 by subsection (b) shall take effect as if included in
11 section 301 of the Job Creation and Worker Assist-
12 ance Act of 2002.

13 **SEC. 221. EXTENSION OF BONUS DEPRECIATION FOR CER-**
14 **TAIN QUALIFIED GULF OPPORTUNITY ZONE**
15 **PROPERTY.**

16 (a) IN GENERAL.—Subsection (d) of section 1400N
17 is amended by adding at the end the following new para-
18 graph:

19 “(6) EXTENSION FOR CERTAIN PROPERTY.—

20 “(A) IN GENERAL.—In the case of any
21 specified Gulf Opportunity Zone extension prop-
22 erty, paragraph (2)(A) shall be applied without
23 regard to clause (v) thereof.

24 “(B) SPECIFIED GULF OPPORTUNITY ZONE
25 EXTENSION PROPERTY.—For purposes of this

1 paragraph, the term ‘specified Gulf Opportunity
2 Zone extension property’ means property—

3 “(i) substantially all of the use of
4 which is in one or more specified portions
5 of the GO Zone, and

6 “(ii) which is—

7 “(I) nonresidential real property
8 or residential rental property which is
9 placed in service by the taxpayer on or
10 before December 31, 2009, or

11 “(II) in the case of a taxpayer
12 who places a building described in
13 subclause (I) in service on or before
14 December 31, 2009, property de-
15 scribed in section 168(k)(2)(A)(i) if
16 substantially all of the use of such
17 property is in such building and such
18 property is placed in service by the
19 taxpayer not later than 90 days after
20 such building is placed in service.

21 “(C) SPECIFIED PORTIONS OF THE GO
22 ZONE.—For purposes of this paragraph, the
23 term ‘specified portions of the GO Zone’ means
24 those portions of the GO Zone which are in any
25 county or parish which is identified by the Sec-

1 retary as being a county or parish in which hur-
2 ricanes occurring during 2005 damaged (in the
3 aggregate) more than 40 percent of the housing
4 units in such county or parish which were occu-
5 pied (determined according to the 2000 Cen-
6 sus).”.

7 (b) EXTENSION NOT APPLICABLE TO INCREASED
8 SECTION 179 EXPENSING.—Paragraph (2) of section
9 1400N(e) is amended by inserting “without regard to sub-
10 section (d)(6)” after “subsection (d)(2)”.

11 (c) EFFECTIVE DATE.—The amendments made by
12 this section shall take effect as if included in section 101
13 of the Gulf Opportunity Zone Act of 2005.

14 **SEC. 222. AUTHORITY FOR UNDERCOVER OPERATIONS.**

15 Paragraph (6) of section 7608(c) (relating to applica-
16 tion of section) is amended by striking “2007” both places
17 it appears and inserting “2008”.

18 **SEC. 223. DISCLOSURES OF CERTAIN TAX RETURN INFOR-**
19 **MATION.**

20 (a) DISCLOSURES TO FACILITATE COMBINED EM-
21 PLOYMENT TAX REPORTING.—

22 (1) IN GENERAL.—Subparagraph (B) of section
23 6103(d)(5) (relating to termination) is amended by
24 striking “2006” and inserting “2007”.

1 (2) EFFECTIVE DATE.—The amendment made
2 by paragraph (1) shall apply to disclosures after De-
3 cember 31, 2006.

4 (b) DISCLOSURES RELATING TO TERRORIST ACTIVI-
5 TIES.—

6 (1) IN GENERAL.—Clause (iv) of section
7 6103(i)(3)(C) and subparagraph (E) of section
8 6103(i)(7) are each amended by striking “2006”
9 and inserting “2007”.

10 (2) EFFECTIVE DATE.—The amendments made
11 by paragraph (1) shall apply to disclosures after De-
12 cember 31, 2006.

13 (c) DISCLOSURES RELATING TO STUDENT LOANS.—

14 (1) IN GENERAL.—Subparagraph (D) of section
15 6103(l)(13) (relating to termination) is amended by
16 striking “2006” and inserting “2007”.

17 (2) EFFECTIVE DATE.—The amendment made
18 by paragraph (1) shall apply to requests made after
19 December 31, 2006.

20 **Subtitle B—Other Provisions**

21 **SEC. 231. DEDUCTION ALLOWABLE WITH RESPECT TO IN-** 22 **COME ATTRIBUTABLE TO DOMESTIC PRO-** 23 **DUCTION ACTIVITIES IN PUERTO RICO.**

24 (a) IN GENERAL.—Subsection (d) of section 199 (re-
25 lating to definitions and special rules) is amended by re-

1 designating paragraph (8) as paragraph (9) and by insert-
2 ing after paragraph (7) the following new paragraph:

3 “(8) TREATMENT OF ACTIVITIES IN PUERTO
4 RICO.—

5 “(A) IN GENERAL.—In the case of any
6 taxpayer with gross receipts for any taxable
7 year from sources within the Commonwealth of
8 Puerto Rico, if all of such receipts are taxable
9 under section 1 or 11 for such taxable year,
10 then for purposes of determining the domestic
11 production gross receipts of such taxpayer for
12 such taxable year under subsection (c)(4), the
13 term ‘United States’ shall include the Common-
14 wealth of Puerto Rico.

15 “(B) SPECIAL RULE FOR APPLYING WAGE
16 LIMITATION.—In the case of any taxpayer de-
17 scribed in subparagraph (A), for purposes of
18 applying the limitation under subsection (b) for
19 any taxable year, the determination of W-2
20 wages of such taxpayer shall be made without
21 regard to any exclusion under section
22 3401(a)(8) for remuneration paid for services
23 performed in Puerto Rico.

24 “(C) TERMINATION.—This paragraph shall
25 apply only with respect to the first 2 taxable

1 years of the taxpayer beginning after December
2 31, 2005, and before January 1, 2008.”.

3 (b) **EFFECTIVE DATE.**—The amendments made by
4 subsection (a) shall apply to taxable years beginning after
5 December 31, 2005.

6 **SEC. 232. CREDIT FOR PRIOR YEAR MINIMUM TAX LIABIL-**
7 **ITY MADE REFUNDABLE AFTER PERIOD OF**
8 **YEARS.**

9 (a) **IN GENERAL.**—Section 53 (relating to credit for
10 prior year minimum tax liability) is amended by adding
11 at the end the following new subsection:

12 “(e) **SPECIAL RULE FOR INDIVIDUALS WITH LONG-**
13 **TERM UNUSED CREDITS.**—

14 “(1) **IN GENERAL.**—If an individual has a long-
15 term unused minimum tax credit for any taxable
16 year beginning before January 1, 2013, the amount
17 determined under subsection (c) for such taxable
18 year shall not be less than the AMT refundable cred-
19 it amount for such taxable year.

20 “(2) **AMT REFUNDABLE CREDIT AMOUNT.**—For
21 purposes of paragraph (1)—

22 “(A) **IN GENERAL.**—The term ‘AMT re-
23 fundable credit amount’ means, with respect to
24 any taxable year, the amount equal to the
25 greater of—

1 “(i) the lesser of—
2 “(I) \$5,000, or
3 “(II) the amount of long-term
4 unused minimum tax credit for such
5 taxable year, or
6 “(ii) 20 percent of the amount of such
7 credit.

8 “(B) PHASEOUT OF AMT REFUNDABLE
9 CREDIT AMOUNT.—

10 “(i) IN GENERAL.—In the case of an
11 individual whose adjusted gross income for
12 any taxable year exceeds the threshold
13 amount (within the meaning of section
14 151(d)(3)(C)), the AMT refundable credit
15 amount determined under subparagraph
16 (A) for such taxable year shall be reduced
17 by the applicable percentage (within the
18 meaning of section 151(d)(3)(B)).

19 “(ii) ADJUSTED GROSS INCOME.—For
20 purposes of clause (i), adjusted gross in-
21 come shall be determined without regard to
22 sections 911, 931, and 933.

23 “(3) LONG-TERM UNUSED MINIMUM TAX CRED-
24 IT.—

1 “(A) IN GENERAL.—For purposes of this
2 subsection, the term ‘long-term unused min-
3 imum tax credit’ means, with respect to any
4 taxable year, the portion of the minimum tax
5 credit determined under subsection (b) attrib-
6 utable to the adjusted net minimum tax for tax-
7 able years before the 3rd taxable year imme-
8 diately preceding such taxable year.

9 “(B) FIRST-IN, FIRST-OUT ORDERING
10 RULE.—For purposes of subparagraph (A),
11 credits shall be treated as allowed under sub-
12 section (a) on a first-in, first-out basis.

13 “(4) CREDIT REFUNDABLE.—For purposes of
14 this title (other than this section), the credit allowed
15 by reason of this subsection shall be treated as if it
16 were allowed under subpart C.”.

17 (b) CONFORMING AMENDMENTS.—

18 (1) Section 6211(b)(4)(A) is amended by strik-
19 ing “and 34” and inserting “34, and 53(e)”.

20 (2) Paragraph (2) of section 1324(b) of title
21 31, United States Code, is amended by inserting “or
22 53(e)” after “section 35”.

23 (c) EFFECTIVE DATE.—The amendments made by
24 this section shall apply to taxable years beginning after
25 the date of the enactment of this Act.

1 **SEC. 233. RETURNS REQUIRED IN CONNECTION WITH CER-**
2 **TAIN OPTIONS.**

3 (a) IN GENERAL.—So much of section 6039(a) as fol-
4 lows paragraph (2) is amended to read as follows:

5 “shall, for such calendar year, make a return at such time
6 and in such manner, and setting forth such information,
7 as the Secretary may by regulations prescribe.”.

8 (b) STATEMENTS TO PERSONS WITH RESPECT TO
9 WHOM INFORMATION IS FURNISHED.—Section 6039 is
10 amended by redesignating subsections (b) and (c) as sub-
11 section (c) and (d), respectively, and by inserting after
12 subsection (a) the following new subsection:

13 “(b) STATEMENTS TO BE FURNISHED TO PERSONS
14 WITH RESPECT TO WHOM INFORMATION IS RE-
15 PORTED.—Every corporation making a return under sub-
16 section (a) shall furnish to each person whose name is set
17 forth in such return a written statement setting forth such
18 information as the Secretary may by regulations prescribe.
19 The written statement required under the preceding sen-
20 tence shall be furnished to such person on or before Janu-
21 ary 31 of the year following the calendar year for which
22 the return under subsection (a) was made.”.

23 (c) CONFORMING AMENDMENTS.—

24 (1) Section 6724(d)(1)(B) is amended by strik-
25 ing “or” at the end of clause (xvii), by striking

1 “and” at the end of clause (xviii) and inserting “or”,
2 and by adding at the end the following new clause:

3 “(xix) section 6039(a) (relating to re-
4 turns required with respect to certain op-
5 tions), and”.

6 (2) Section 6724(d)(2)(B) is amended by strik-
7 ing “section 6039(a)” and inserting “section
8 6039(b)”.

9 (3) The heading of section 6039 and the item
10 relating to such section in the table of sections of
11 subpart A of part III of subchapter A of chapter 61
12 of such Code are each amended by striking “Infor-
13 mation” and inserting “Returns”.

14 (4) The heading of subsection (a) of section
15 6039 is amended by striking “FURNISHING OF IN-
16 FORMATION” and inserting “REQUIREMENT OF RE-
17 PORTING”.

18 (d) EFFECTIVE DATE.—The amendments made by
19 this section shall apply to calendar years beginning after
20 the date of the enactment of this Act.

21 **SEC. 234. PARTIAL EXPENSING FOR ADVANCED MINE SAFE-**
22 **TY EQUIPMENT.**

23 (a) IN GENERAL.—Part VI of subchapter B of chap-
24 ter 1 is amended by inserting after section 179D the fol-
25 lowing new section:

1 **“SEC. 179E. ELECTION TO EXPENSE ADVANCED MINE SAFE-**
2 **TY EQUIPMENT.**

3 “(a) TREATMENT AS EXPENSES.—A taxpayer may
4 elect to treat 50 percent of the cost of any qualified ad-
5 vanced mine safety equipment property as an expense
6 which is not chargeable to capital account. Any cost so
7 treated shall be allowed as a deduction for the taxable year
8 in which the qualified advanced mine safety equipment
9 property is placed in service.

10 “(b) ELECTION.—

11 “(1) IN GENERAL.—An election under this sec-
12 tion for any taxable year shall be made on the tax-
13 payer’s return of the tax imposed by this chapter for
14 the taxable year. Such election shall specify the ad-
15 vanced mine safety equipment property to which the
16 election applies and shall be made in such manner
17 as the Secretary may by regulations prescribe.

18 “(2) ELECTION IRREVOCABLE.—Any election
19 made under this section may not be revoked except
20 with the consent of the Secretary.

21 “(c) QUALIFIED ADVANCED MINE SAFETY EQUIP-
22 MENT PROPERTY.—For purposes of this section, the term
23 ‘qualified advanced mine safety equipment property’
24 means any advanced mine safety equipment property for
25 use in any underground mine located in the United
26 States—

1 “(1) the original use of which commences with
2 the taxpayer, and

3 “(2) which is placed in service by the taxpayer
4 after the date of the enactment of this section.

5 “(d) ADVANCED MINE SAFETY EQUIPMENT PROP-
6 ERTY.—For purposes of this section, the term ‘advanced
7 mine safety equipment property’ means any of the fol-
8 lowing:

9 “(1) Emergency communication technology or
10 device which is used to allow a miner to maintain
11 constant communication with an individual who is
12 not in the mine.

13 “(2) Electronic identification and location de-
14 vice which allows an individual who is not in the
15 mine to track at all times the movements and loca-
16 tion of miners working in or at the mine.

17 “(3) Emergency oxygen-generating, self-rescue
18 device which provides oxygen for at least 90 min-
19 utes.

20 “(4) Pre-positioned supplies of oxygen which (in
21 combination with self-rescue devices) can be used to
22 provide each miner on a shift, in the event of an ac-
23 cident or other event which traps the miner in the
24 mine or otherwise necessitates the use of such a self-

1 rescue device, the ability to survive for at least 48
2 hours.

3 “(5) Comprehensive atmospheric monitoring
4 system which monitors the levels of carbon mon-
5 oxide, methane, and oxygen that are present in all
6 areas of the mine and which can detect smoke in the
7 case of a fire in a mine.

8 “(e) COORDINATION WITH SECTION 179.—No ex-
9 penditures shall be taken into account under subsection
10 (a) with respect to the portion of the cost of any property
11 specified in an election under section 179.

12 “(f) REPORTING.—No deduction shall be allowed
13 under subsection (a) to any taxpayer for any taxable year
14 unless such taxpayer files with the Secretary a report con-
15 taining such information with respect to the operation of
16 the mines of the taxpayer as the Secretary shall require.

17 “(g) TERMINATION.—This section shall not apply to
18 property placed in service after December 31, 2008.”.

19 (b) CONFORMING AMENDMENTS.—

20 (1) Section 263(a)(1) is amended by striking
21 “or” at the end of subparagraph (J), by striking the
22 period at the end of subparagraph (K) and inserting
23 “, or”, and by inserting after subparagraph (K) the
24 following new subparagraph:

1 “(L) expenditures for which a deduction is
2 allowed under section 179E.”.

3 (2) Section 312(k)(3)(B) is amended by strik-
4 ing “or 179D” each place it appears in the heading
5 and text thereof and inserting “179D, or 179E”.

6 (3) Paragraphs (2)(C) and (3)(C) of section
7 1245(a) are each amended by inserting “179E,”
8 after “179D,”.

9 (4) The table of sections for part VI of sub-
10 chapter B of chapter 1 is amended by inserting after
11 the item relating to section 179D the following new
12 item:

 “Sec. 179E. Election to expense advanced mine safety equipment.”.

13 (c) EFFECTIVE DATE.—The amendments made by
14 this section shall apply to costs paid or incurred after the
15 date of the enactment of this Act.

16 **SEC. 235. MINE RESCUE TEAM TRAINING TAX CREDIT.**

17 (a) IN GENERAL.—Subpart D of part IV of sub-
18 chapter A of chapter 1 (relating to business related cred-
19 its) is amended by adding at the end the following new
20 section:

21 **“SEC. 45N. MINE RESCUE TEAM TRAINING CREDIT.**

22 “(a) AMOUNT OF CREDIT.—For purposes of section
23 38, the mine rescue team training credit determined under
24 this section with respect to each qualified mine rescue

1 team employee of an eligible employer for any taxable year
2 is an amount equal to the lesser of—

3 “(1) 20 percent of the amount paid or incurred
4 by the taxpayer during the taxable year with respect
5 to the training program costs of such qualified mine
6 rescue team employee (including wages of such em-
7 ployee while attending such program), or

8 “(2) \$10,000.

9 “(b) QUALIFIED MINE RESCUE TEAM EMPLOYEE.—

10 For purposes of this section, the term ‘qualified mine res-
11 cue team employee’ means with respect to any taxable year
12 any full-time employee of the taxpayer who is—

13 “(1) a miner eligible for more than 6 months
14 of such taxable year to serve as a mine rescue team
15 member as a result of completing, at a minimum, an
16 initial 20-hour course of instruction as prescribed by
17 the Mine Safety and Health Administration’s Office
18 of Educational Policy and Development, or

19 “(2) a miner eligible for more than 6 months
20 of such taxable year to serve as a mine rescue team
21 member by virtue of receiving at least 40 hours of
22 refresher training in such instruction.

23 “(c) ELIGIBLE EMPLOYER.—For purposes of this
24 section, the term ‘eligible employer’ means any taxpayer

1 which employs individuals as miners in underground mines
2 in the United States.

3 “(d) WAGES.—For purposes of this section, the term
4 ‘wages’ has the meaning given to such term by subsection
5 (b) of section 3306 (determined without regard to any dol-
6 lar limitation contained in such section).

7 “(e) TERMINATION.—This section shall not apply to
8 taxable years beginning after December 31, 2008.”.

9 (b) CREDIT MADE PART OF GENERAL BUSINESS
10 CREDIT.—Section 38(b) is amended by striking “and” at
11 the end of paragraph (29), by striking the period at the
12 end of paragraph (30) and inserting “, plus”, and by add-
13 ing at the end the following new paragraph:

14 “(31) the mine rescue team training credit de-
15 termined under section 45N(a).”.

16 (c) NO DOUBLE BENEFIT.—Section 280C is amend-
17 ed by adding at the end the following new subsection:

18 “(e) MINE RESCUE TEAM TRAINING CREDIT.—No
19 deduction shall be allowed for that portion of the expenses
20 otherwise allowable as a deduction for the taxable year
21 which is equal to the amount of the credit determined for
22 the taxable year under section 45N(a).”.

23 (d) CLERICAL AMENDMENT.—The table of sections
24 for subpart D of part IV of subchapter A of chapter 1
25 is amended by adding at the end the following new item:

“Sec. 45N. Mine rescue team training credit.”.

1 (e) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 December 31, 2005.

4 **SEC. 236. WHISTLEBLOWER REFORMS.**

5 (a) AWARDS TO WHISTLEBLOWERS.—

6 (1) IN GENERAL.—Section 7623 (relating to ex-
7 penses of detection of underpayments and fraud,
8 etc.) is amended—

9 (A) by striking “The Secretary” and in-
10 sserting “(a) IN GENERAL.—The Secretary”,

11 (B) by striking “and” at the end of para-
12 graph (1) and inserting “or”,

13 (C) by striking “(other than interest)”,
14 and

15 (D) by adding at the end the following new
16 subsection:

17 “(b) AWARDS TO WHISTLEBLOWERS.—

18 “(1) IN GENERAL.—If the Secretary proceeds
19 with any administrative or judicial action described
20 in subsection (a) based on information brought to
21 the Secretary’s attention by an individual, such indi-
22 vidual shall, subject to paragraph (2), receive as an
23 award at least 15 percent but not more than 30 per-
24 cent of the collected proceeds (including penalties,
25 interest, additions to tax, and additional amounts)

1 resulting from the action (including any related ac-
2 tions) or from any settlement in response to such ac-
3 tion. The determination of the amount of such
4 award by the Whistleblower Office shall depend upon
5 the extent to which the individual substantially con-
6 tributed to such action.

7 “(2) AWARD IN CASE OF LESS SUBSTANTIAL
8 CONTRIBUTION.—

9 “(A) IN GENERAL.—In the event the ac-
10 tion described in paragraph (1) is one which the
11 Whistleblower Office determines to be based
12 principally on disclosures of specific allegations
13 (other than information provided by the indi-
14 vidual described in paragraph (1)) resulting
15 from a judicial or administrative hearing, from
16 a governmental report, hearing, audit, or inves-
17 tigation, or from the news media, the Whistle-
18 blower Office may award such sums as it con-
19 siders appropriate, but in no case more than 10
20 percent of the collected proceeds (including pen-
21 alties, interest, additions to tax, and additional
22 amounts) resulting from the action (including
23 any related actions) or from any settlement in
24 response to such action, taking into account the
25 significance of the individual’s information and

1 the role of such individual and any legal rep-
2 resentative of such individual in contributing to
3 such action.

4 “(B) NONAPPLICATION OF PARAGRAPH
5 WHERE INDIVIDUAL IS ORIGINAL SOURCE OF
6 INFORMATION.—Subparagraph (A) shall not
7 apply if the information resulting in the initi-
8 ation of the action described in paragraph (1)
9 was originally provided by the individual de-
10 scribed in paragraph (1).

11 “(3) REDUCTION IN OR DENIAL OF AWARD.—
12 If the Whistleblower Office determines that the
13 claim for an award under paragraph (1) or (2) is
14 brought by an individual who planned and initiated
15 the actions that led to the underpayment of tax or
16 actions described in subsection (a)(2), then the
17 Whistleblower Office may appropriately reduce such
18 award. If such individual is convicted of criminal
19 conduct arising from the role described in the pre-
20 ceding sentence, the Whistleblower Office shall deny
21 any award.

22 “(4) APPEAL OF AWARD DETERMINATION.—
23 Any determination regarding an award under para-
24 graph (1), (2), or (3) may, within 30 days of such
25 determination, be appealed to the Tax Court (and

1 the Tax Court shall have jurisdiction with respect to
2 such matter).

3 “(5) APPLICATION OF THIS SUBSECTION.—This
4 subsection shall apply with respect to any action—

5 “(A) against any taxpayer, but in the case
6 of any individual, only if such individual’s gross
7 income exceeds \$200,000 for any taxable year
8 subject to such action, and

9 “(B) if the tax, penalties, interest, addi-
10 tions to tax, and additional amounts in dispute
11 exceed \$2,000,000.

12 “(6) ADDITIONAL RULES.—

13 “(A) NO CONTRACT NECESSARY.—No con-
14 tract with the Internal Revenue Service is nec-
15 essary for any individual to receive an award
16 under this subsection.

17 “(B) REPRESENTATION.—Any individual
18 described in paragraph (1) or (2) may be rep-
19 resented by counsel.

20 “(C) SUBMISSION OF INFORMATION.—No
21 award may be made under this subsection
22 based on information submitted to the Sec-
23 retary unless such information is submitted
24 under penalty of perjury.”.

25 (2) ASSIGNMENT TO SPECIAL TRIAL JUDGES.—

1 (A) IN GENERAL.—Section 7443A(b) (re-
2 relating to proceedings which may be assigned to
3 special trial judges) is amended by striking
4 “and” at the end of paragraph (4), by redesignig-
5 nating paragraph (5) as paragraph (6), and by
6 inserting after paragraph (4) the following new
7 paragraph:

8 “(5) any proceeding under section 7623(b)(4),
9 and”.

10 (B) CONFORMING AMENDMENT.—Section
11 7443A(c) is amended by striking “or (4)” and
12 inserting “(4), or (5)”.

13 (3) DEDUCTION ALLOWED WHETHER OR NOT
14 TAXPAYER ITEMIZES.—Subsection (a) of section 62
15 (relating to general rule defining adjusted gross in-
16 come) is amended by inserting after paragraph (20)
17 the following new paragraph:

18 “(21) ATTORNEYS FEES RELATING TO AWARDS
19 TO WHISTLEBLOWERS.—Any deduction allowable
20 under this chapter for attorney fees and court costs
21 paid by, or on behalf of, the taxpayer in connection
22 with any award under section 7623(b) (relating to
23 awards to whistleblowers). The preceding sentence
24 shall not apply to any deduction in excess of the

1 amount includible in the taxpayer's gross income for
2 the taxable year on account of such award.”.

3 (b) WHISTLEBLOWER OFFICE.—

4 (1) IN GENERAL.—Not later than the date
5 which is 12 months after the date of the enactment
6 of this Act, the Secretary of the Treasury shall issue
7 guidance for the operation of a whistleblower pro-
8 gram to be administered in the Internal Revenue
9 Service by an office to be known as the “Whistle-
10 blower Office” which—

11 (A) shall at all times operate at the direc-
12 tion of the Commissioner of Internal Revenue
13 and coordinate and consult with other divisions
14 in the Internal Revenue Service as directed by
15 the Commissioner of Internal Revenue,

16 (B) shall analyze information received from
17 any individual described in section 7623(b) of
18 the Internal Revenue Code of 1986 and either
19 investigate the matter itself or assign it to the
20 appropriate Internal Revenue Service office,
21 and

22 (C) in its sole discretion, may ask for addi-
23 tional assistance from such individual or any
24 legal representative of such individual.

1 (2) REQUEST FOR ASSISTANCE.—The guidance
2 issued under paragraph (1) shall specify that any as-
3 sistance requested under paragraph (1)(C) shall be
4 under the direction and control of the Whistleblower
5 Office or the office assigned to investigate the mat-
6 ter under paragraph (1)(A). No individual or legal
7 representative whose assistance is so requested may
8 by reason of such request represent himself or her-
9 self as an employee of the Federal Government.

10 (c) REPORT BY SECRETARY.—The Secretary of the
11 Treasury shall each year conduct a study and report to
12 Congress on the use of section 7623 of the Internal Rev-
13 enue Code of 1986, including—

14 (1) an analysis of the use of such section dur-
15 ing the preceding year and the results of such use,
16 and

17 (2) any legislative or administrative rec-
18 ommendations regarding the provisions of such sec-
19 tion and its application.

20 (d) EFFECTIVE DATE.—The amendments made by
21 subsection (a) shall apply to information provided on or
22 after the date of the enactment of this Act.

23 **SEC. 237. FRIVOLOUS TAX SUBMISSIONS.**

24 (a) CIVIL PENALTIES.—Section 6702 is amended to
25 read as follows:

1 **“SEC. 6702. FRIVOLOUS TAX SUBMISSIONS.**

2 “(a) CIVIL PENALTY FOR FRIVOLOUS TAX RE-
3 TURNS.—A person shall pay a penalty of \$5,000 if—

4 “(1) such person files what purports to be a re-
5 turn of a tax imposed by this title but which—

6 “(A) does not contain information on
7 which the substantial correctness of the self-as-
8 sessment may be judged, or

9 “(B) contains information that on its face
10 indicates that the self-assessment is substan-
11 tially incorrect, and

12 “(2) the conduct referred to in paragraph (1)—

13 “(A) is based on a position which the Sec-
14 retary has identified as frivolous under sub-
15 section (c), or

16 “(B) reflects a desire to delay or impede
17 the administration of Federal tax laws.

18 “(b) CIVIL PENALTY FOR SPECIFIED FRIVOLOUS
19 SUBMISSIONS.—

20 “(1) IMPOSITION OF PENALTY.—Except as pro-
21 vided in paragraph (3), any person who submits a
22 specified frivolous submission shall pay a penalty of
23 \$5,000.

24 “(2) SPECIFIED FRIVOLOUS SUBMISSION.—For
25 purposes of this section—

1 “(A) SPECIFIED FRIVOLOUS SUBMIS-
2 SION.—The term ‘specified frivolous submis-
3 sion’ means a specified submission if any por-
4 tion of such submission—

5 “(i) is based on a position which the
6 Secretary has identified as frivolous under
7 subsection (c), or

8 “(ii) reflects a desire to delay or im-
9 pede the administration of Federal tax
10 laws.

11 “(B) SPECIFIED SUBMISSION.—The term
12 ‘specified submission’ means—

13 “(i) a request for a hearing under—

14 “(I) section 6320 (relating to no-
15 tice and opportunity for hearing upon
16 filing of notice of lien), or

17 “(II) section 6330 (relating to
18 notice and opportunity for hearing be-
19 fore levy), and

20 “(ii) an application under—

21 “(I) section 6159 (relating to
22 agreements for payment of tax liabil-
23 ity in installments),

24 “(II) section 7122 (relating to
25 compromises), or

1 “(III) section 7811 (relating to
2 taxpayer assistance orders).

3 “(3) OPPORTUNITY TO WITHDRAW SUBMIS-
4 SION.—If the Secretary provides a person with no-
5 tice that a submission is a specified frivolous sub-
6 mission and such person withdraws such submission
7 within 30 days after such notice, the penalty im-
8 posed under paragraph (1) shall not apply with re-
9 spect to such submission.

10 “(c) LISTING OF FRIVOLOUS POSITIONS.—The Sec-
11 retary shall prescribe (and periodically revise) a list of po-
12 sitions which the Secretary has identified as being frivo-
13 lous for purposes of this subsection. The Secretary shall
14 not include in such list any position that the Secretary
15 determines meets the requirement of section
16 6662(d)(2)(B)(ii)(II).

17 “(d) REDUCTION OF PENALTY.—The Secretary may
18 reduce the amount of any penalty imposed under this sec-
19 tion if the Secretary determines that such reduction would
20 promote compliance with and administration of the Fed-
21 eral tax laws.

22 “(e) PENALTIES IN ADDITION TO OTHER PEN-
23 ALTIES.—The penalties imposed by this section shall be
24 in addition to any other penalty provided by law.”.

1 (b) TREATMENT OF FRIVOLOUS REQUESTS FOR
2 HEARINGS BEFORE LEVY.—

3 (1) FRIVOLOUS REQUESTS DISREGARDED.—

4 Section 6330 (relating to notice and opportunity for
5 hearing before levy) is amended by adding at the
6 end the following new subsection:

7 “(g) FRIVOLOUS REQUESTS FOR HEARING, ETC.—

8 Notwithstanding any other provision of this section, if the
9 Secretary determines that any portion of a request for a
10 hearing under this section or section 6320 meets the re-
11 quirement of clause (i) or (ii) of section 6702(b)(2)(A),
12 then the Secretary may treat such portion as if it were
13 never submitted and such portion shall not be subject to
14 any further administrative or judicial review.”.

15 (2) PRECLUSION FROM RAISING FRIVOLOUS
16 ISSUES AT HEARING.—Section 6330(c)(4) is amend-
17 ed—

18 (A) by striking “(A)” and inserting
19 “(A)(i)”;

20 (B) by striking “(B)” and inserting “(ii)”;

21 (C) by striking the period at the end of the
22 first sentence and inserting “; or”; and

23 (D) by inserting after subparagraph (A)(ii)
24 (as so redesignated) the following:

1 “(B) the issue meets the requirement of
2 clause (i) or (ii) of section 6702(b)(2)(A).”.

3 (3) STATEMENT OF GROUNDS.—Section
4 6330(b)(1) is amended by striking “under sub-
5 section (a)(3)(B)” and inserting “in writing under
6 subsection (a)(3)(B) and states the grounds for the
7 requested hearing”.

8 (c) TREATMENT OF FRIVOLOUS REQUESTS FOR
9 HEARINGS UPON FILING OF NOTICE OF LIEN.—Section
10 6320 is amended—

11 (1) in subsection (b)(1), by striking “under sub-
12 section (a)(3)(B)” and inserting “in writing under
13 subsection (a)(3)(B) and states the grounds for the
14 requested hearing”, and

15 (2) in subsection (c), by striking “and (e)” and
16 inserting “(e), and (g)”.

17 (d) TREATMENT OF FRIVOLOUS APPLICATIONS FOR
18 OFFERS-IN-COMPROMISE AND INSTALLMENT AGREE-
19 MENTS.—Section 7122 is amended by adding at the end
20 the following new subsection:

21 “(f) FRIVOLOUS SUBMISSIONS, ETC.—Notwith-
22 standing any other provision of this section, if the Sec-
23 retary determines that any portion of an application for
24 an offer-in-compromise or installment agreement sub-
25 mitted under this section or section 6159 meets the re-

1 quirement of clause (i) or (ii) of section 6702(b)(2)(A),
2 then the Secretary may treat such portion as if it were
3 never submitted and such portion shall not be subject to
4 any further administrative or judicial review.”.

5 (e) CLERICAL AMENDMENT.—The table of sections
6 for part I of subchapter B of chapter 68 is amended by
7 striking the item relating to section 6702 and inserting
8 the following new item:

“Sec. 6702. Frivolous tax submissions.”.

9 (f) EFFECTIVE DATE.—The amendments made by
10 this section shall apply to submissions made and issues
11 raised after the date on which the Secretary first pre-
12 scribes a list under section 6702(e) of the Internal Rev-
13 enue Code of 1986, as amended by subsection (a).

14 **SEC. 238. ADDITION OF MENINGOCOCCAL AND HUMAN**
15 **PAPILLOMAVIRUS VACCINES TO LIST OF TAX-**
16 **ABLE VACCINES.**

17 (a) MENINGOCOCCAL VACCINE.—Section 4132(a)(1)
18 (defining taxable vaccine) is amended by adding at the end
19 the following new subparagraph:

20 “(O) Any meningococcal vaccine.”.

21 (b) HUMAN PAPILLOMAVIRUS VACCINE.—Section
22 4132(a)(1), as amended by subsection (a), is amended by
23 adding at the end the following new subparagraph:

24 “(P) Any vaccine against the human
25 papillomavirus.”.

1 (c) EFFECTIVE DATE.—

2 (1) SALES, ETC.—The amendments made by
3 this section shall apply to sales and uses on or after
4 the first day of the first month which begins more
5 than 4 weeks after the date of the enactment of this
6 Act.

7 (2) DELIVERIES.—For purposes of paragraph
8 (1) and section 4131 of the Internal Revenue Code
9 of 1986, in the case of sales on or before the effec-
10 tive date described in such paragraph for which de-
11 livery is made after such date, the delivery date shall
12 be considered the sale date.

13 **SEC. 239. CLARIFICATION OF TAXATION OF CERTAIN SET-**
14 **TLEMENT FUNDS MADE PERMANENT.**

15 (a) IN GENERAL.—Subsection (g) of section 468B,
16 as amended by section 201 of the Tax Increase Prevention
17 and Reconciliation Act of 2005, is amended by striking
18 paragraph (3).

19 (b) EFFECTIVE DATE.—The amendment made by
20 this section shall take effect as if included in section 201
21 of the Tax Increase Prevention and Reconciliation Act of
22 2005.

1 **SEC. 240. MODIFICATION OF ACTIVE BUSINESS DEFINITION**
2 **UNDER SECTION 355 MADE PERMANENT.**

3 (a) IN GENERAL.—Subparagraphs (A) and (D) of
4 section 355(b)(3), as amended by section 202 of the Tax
5 Increase Prevention and Reconciliation Act of 2005, are
6 each amended by striking “and on or before December 31,
7 2010”.

8 (b) EFFECTIVE DATE.—The amendments made by
9 this section shall take effect as if included in section 202
10 of the Tax Increase Prevention and Reconciliation Act of
11 2005.

12 **SEC. 241. REVISION OF STATE VETERANS LIMIT MADE PER-**
13 **MANENT.**

14 (a) IN GENERAL.—Subparagraph (B) of section
15 143(l)(3), as amended by section 203 of the Tax Increase
16 Prevention and Reconciliation Act of 2005, is amended by
17 striking clause (iv).

18 (b) EFFECTIVE DATE.—The amendment made by
19 this section shall take effect as if included in section 203
20 of the Tax Increase Prevention and Reconciliation Act of
21 2005.

22 **SEC. 242. CAPITAL GAINS TREATMENT FOR CERTAIN SELF-**
23 **CREATED MUSICAL WORKS MADE PERMA-**
24 **NENT.**

25 (a) IN GENERAL.—Paragraph (3) of section 1221(b),
26 as amended by section 204 of the Tax Increase Prevention

1 and Reconciliation Act of 2005, is amended by striking
2 “before January 1, 2011,”.

3 (b) EFFECTIVE DATE.—The amendment made by
4 this section shall take effect as if included in section 204
5 of the Tax Increase Prevention and Reconciliation Act of
6 2005.

7 **SEC. 243. REDUCTION IN MINIMUM VESSEL TONNAGE**
8 **WHICH QUALIFIES FOR TONNAGE TAX MADE**
9 **PERMANENT.**

10 (a) IN GENERAL.—Paragraph (4) of section 1355(a),
11 as amended by section 205 of the Tax Increase Prevention
12 and Reconciliation Act of 2005, is amended by striking
13 “10,000 (6,000, in the case of taxable years beginning
14 after December 31, 2005, and ending before January 1,
15 2011)” and inserting “6,000”.

16 (b) EFFECTIVE DATE.—The amendment made by
17 this section shall take effect as if included in section 205
18 of the Tax Increase Prevention and Reconciliation Act of
19 2005.

20 **SEC. 244. MODIFICATION OF SPECIAL ARBITRAGE RULE**
21 **FOR CERTAIN FUNDS MADE PERMANENT.**

22 (a) IN GENERAL.—Section 206 of the Tax Increase
23 Prevention and Reconciliation Act of 2005 is amended by
24 striking “and before August 31, 2009”.

1 (b) EFFECTIVE DATE.—The amendment made by
2 this section shall take effect as if included in section 206
3 of the Tax Increase Prevention and Reconciliation Act of
4 2005.

5 **SEC. 245. GREAT LAKES DOMESTIC SHIPPING TO NOT DIS-**
6 **QUALIFY VESSEL FROM TONNAGE TAX.**

7 (a) IN GENERAL.—Section 1355 (relating to defini-
8 tions and special rules) is amended by redesignating sub-
9 section (g) as subsection (h) and by inserting after sub-
10 section (f) the following new subsection:

11 “(g) GREAT LAKES DOMESTIC SHIPPING TO NOT
12 DISQUALIFY VESSEL.—

13 “(1) IN GENERAL.—If the electing corporation
14 elects (at such time and in such manner as the Sec-
15 retary may require) to apply this subsection for any
16 taxable year to any qualifying vessel which is used
17 in qualified zone domestic trade during the taxable
18 year—

19 “(A) solely for purposes of subsection
20 (a)(4), such use shall be treated as use in
21 United States foreign trade (and not as use in
22 United States domestic trade), and

23 “(B) subsection (f) shall not apply with re-
24 spect to such vessel for such taxable year.

1 “(2) EFFECT OF TEMPORARILY OPERATING
2 VESSEL IN UNITED STATES DOMESTIC TRADE.—In
3 the case of a qualifying vessel to which this sub-
4 section applies—

5 “(A) IN GENERAL.—An electing corpora-
6 tion shall be treated as using such vessel in
7 qualified zone domestic trade during any period
8 of temporary use in the United States domestic
9 trade (other than qualified zone domestic trade)
10 if the electing corporation gives timely notice to
11 the Secretary stating—

12 “(i) that it temporarily operates or
13 has operated in the United States domestic
14 trade (other than qualified zone domestic
15 trade) a qualifying vessel which had been
16 used in the United States foreign trade or
17 qualified zone domestic trade, and

18 “(ii) its intention to resume operation
19 of the vessel in the United States foreign
20 trade or qualified zone domestic trade.

21 “(B) NOTICE.—Notice shall be deemed
22 timely if given not later than the due date (in-
23 cluding extensions) for the corporation’s tax re-
24 turn for the taxable year in which the tem-
25 porary cessation begins.

1 “(C) PERIOD DISREGARD IN EFFECT.—

2 The period of temporary use under subpara-
3 graph (A) continues until the earlier of the date
4 of which—

5 “(i) the electing corporation abandons
6 its intention to resume operations of the
7 vessel in the United States foreign trade or
8 qualified zone domestic trade, or

9 “(ii) the electing corporation resumes
10 operation of the vessel in the United States
11 foreign trade or qualified zone domestic
12 trade.

13 “(D) NO DISREGARD IF DOMESTIC TRADE
14 USE EXCEEDS 30 DAYS.—Subparagraph (A)
15 shall not apply to any qualifying vessel which is
16 operated in the United States domestic trade
17 (other than qualified zone domestic trade) for
18 more than 30 days during the taxable year.

19 “(3) ALLOCATION OF INCOME AND DEDUC-
20 TIONS TO QUALIFYING SHIPPING ACTIVITIES.—In
21 the case of a qualifying vessel to which this sub-
22 section applies, the Secretary shall prescribe rules
23 for the proper allocation of income, expenses, losses,
24 and deductions between the qualified shipping activi-
25 ties and the other activities of such vessel.

1 “(4) QUALIFIED ZONE DOMESTIC TRADE.—For
2 purposes of this subsection—

3 “(A) IN GENERAL.—The term ‘qualified
4 zone domestic trade’ means the transportation
5 of goods or passengers between places in the
6 qualified zone if such transportation is in the
7 United States domestic trade.

8 “(B) QUALIFIED ZONE.—The term ‘quali-
9 fied zone’ means the Great Lakes Waterway
10 and the St. Lawrence Seaway.”.

11 (b) EFFECTIVE DATE.—The amendments made by
12 this section shall apply to taxable years beginning after
13 the date of the enactment of this Act.

14 **SEC. 246. USE OF QUALIFIED MORTGAGE BONDS TO FI-**
15 **NANCE RESIDENCES FOR VETERANS WITH-**
16 **OUT REGARD TO FIRST-TIME HOMEBUYER**
17 **REQUIREMENT.**

18 (a) IN GENERAL.—Section 143(d)(2) (relating to ex-
19 ceptions to 3-year requirement) is amended by striking
20 “and” at the end of subparagraph (B), by adding “and”
21 at the end of subparagraph (C), and by inserting after
22 subparagraph (C) the following new subparagraph:

23 “(D) in the case of bonds issued after the
24 date of the enactment of this subparagraph and
25 before January 1, 2008, financing of any resi-

1 dence for a veteran (as defined in section 101
2 of title 38, United States Code), if such veteran
3 has not previously qualified for and received
4 such financing by reason of this subpara-
5 graph.”.

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

9 **SEC. 247. EXCLUSION OF GAIN FROM SALE OF A PRINCIPAL**
10 **RESIDENCE BY CERTAIN EMPLOYEES OF THE**
11 **INTELLIGENCE COMMUNITY.**

12 (a) IN GENERAL.—Subparagraph (A) of section
13 121(d)(9) (relating to exclusion of gain from sale of prin-
14 cipal residence) is amended by striking “duty” and all that
15 follows and inserting “duty—

16 “(i) as a member of the uniformed
17 services,

18 “(ii) as a member of the Foreign
19 Service of the United States, or

20 “(iii) as an employee of the intel-
21 ligence community.”.

22 (b) EMPLOYEE OF INTELLIGENCE COMMUNITY DE-
23 FINED.—Subparagraph (C) of section 121(d)(9) is amend-
24 ed by redesignating clause (iv) as clause (v) and by insert-
25 ing after clause (iii) the following new clause:

1 “(iv) EMPLOYEE OF INTELLIGENCE
2 COMMUNITY.—The term ‘employee of the
3 intelligence community’ means an employee
4 (as defined by section 2105 of title 5,
5 United States Code) of—

6 “(I) the Office of the Director of
7 National Intelligence,

8 “(II) the Central Intelligence
9 Agency,

10 “(III) the National Security
11 Agency,

12 “(IV) the Defense Intelligence
13 Agency,

14 “(V) the National Geospatial-In-
15 telligence Agency,

16 “(VI) the National Reconnaissance
17 Office,

18 “(VII) any other office within the
19 Department of Defense for the collec-
20 tion of specialized national intelligence
21 through reconnaissance programs,

22 “(VIII) any of the intelligence
23 elements of the Army, the Navy, the
24 Air Force, the Marine Corps, the Fed-
25 eral Bureau of Investigation, the De-

1 department of Treasury, the Depart-
2 ment of Energy, and the Coast
3 Guard,

4 “(IX) the Bureau of Intelligence
5 and Research of the Department of
6 State, or

7 “(X) any of the elements of the
8 Department of Homeland Security
9 concerned with the analyses of foreign
10 intelligence information.”.

11 (c) SPECIAL RULE.—Subparagraph (C) of section
12 121(d)(9), as amended by subsection (b), is amended by
13 adding at the end the following new clause:

14 “(vi) SPECIAL RULE RELATING TO IN-
15 TELLIGENCE COMMUNITY.—An employee
16 of the intelligence community shall not be
17 treated as serving on qualified extended
18 duty unless such duty is at a duty station
19 located outside the United States.”.

20 (d) CONFORMING AMENDMENT.—The heading for
21 section 121(d)(9) is amended to read as follows: “UNI-
22 FORMED SERVICES, FOREIGN SERVICE, AND INTEL-
23 LIGENCE COMMUNITY”.

1 (e) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to sales or exchanges after the date
3 of the enactment of this Act and before January 1, 2011.

4 **SEC. 248. TREATMENT OF COKE AND COKE GAS.**

5 (a) NONAPPLICATION OF PHASEOUT.—Section
6 45K(g)(2) is amended by adding at the end the following
7 new subparagraph:

8 “(D) NONAPPLICATION OF PHASEOUT.—
9 Subsection (b)(1) shall not apply.”.

10 (b) CLARIFICATION OF QUALIFYING FACILITY.—Sec-
11 tion 45K(g)(1) is amended by inserting “(other than from
12 petroleum based products)” after “coke or coke gas”.

13 (c) EFFECTIVE DATE.—The amendments made by
14 this section shall take effect as if included in section 1321
15 of the Energy Policy Act of 2005.

16 **SEC. 249. SALE OF PROPERTY BY JUDICIAL OFFICERS.**

17 (a) IN GENERAL.—Section 1043(b) (relating to the
18 sale of property to comply with conflict-of-interest require-
19 ments) is amended—

20 (1) in paragraph (1)—

21 (A) in subparagraph (A), by inserting “, or
22 a judicial officer,” after “an officer or employee
23 of the executive branch”; and

1 (B) in subparagraph (B), by inserting “ju-
2 dicial canon,” after “any statute, regulation,
3 rule,”;

4 (2) in paragraph (2)—

5 (A) in subparagraph (A), by inserting “ju-
6 dicial canon,” after “any Federal conflict of in-
7 terest statute, regulation, rule,”; and

8 (B) in subparagraph (B), by inserting
9 after “the Director of the Office of Government
10 Ethics,” the following: “in the case of executive
11 branch officers or employees, or by the Judicial
12 Conference of the United States (or its des-
13 ignee), in the case of judicial officers,”; and

14 (3) in paragraph (5)(B), by inserting “judicial
15 canon,” after “any statute, regulation, rule,”.

16 (b) JUDICIAL OFFICER DEFINED.—Section 1043(b)
17 is amended by adding at the end the following new para-
18 graph:

19 “(6) JUDICIAL OFFICER.—The term ‘judicial
20 officer’ means the Chief Justice of the United
21 States, the Associate Justices of the Supreme Court,
22 and the judges of the United States courts of ap-
23 peals, United States district courts, including the
24 district courts in Guam, the Northern Mariana Is-
25 lands, and the Virgin Islands, Court of Appeals for

1 the Federal Circuit, Court of International Trade,
2 Tax Court, Court of Federal Claims, Court of Ap-
3 peals for Veterans Claims, United States Court of
4 Appeals for the Armed Forces, and any court cre-
5 ated by Act of Congress, the judges of which are en-
6 titled to hold office during good behavior.”.

7 (c) EFFECTIVE DATE.—The amendments made by
8 this section shall apply to sales after the date of enactment
9 of this Act.

10 **SEC. 250. PREMIUMS FOR MORTGAGE INSURANCE.**

11 (a) IN GENERAL.—Section 163(h)(3) (relating to
12 qualified residence interest) is amended by adding at the
13 end the following new subparagraph:

14 “(E) MORTGAGE INSURANCE PREMIUMS
15 TREATED AS INTEREST.—

16 “(i) IN GENERAL.—Premiums paid or
17 accrued for qualified mortgage insurance
18 by a taxpayer during the taxable year in
19 connection with acquisition indebtedness
20 with respect to a qualified residence of the
21 taxpayer shall be treated for purposes of
22 this section as interest which is qualified
23 residence interest.

24 “(ii) PHASEOUT.—The amount other-
25 wise treated as interest under clause (i)

1 shall be reduced (but not below zero) by 10
2 percent of such amount for each \$1,000
3 (\$500 in the case of a married individual
4 filing a separate return) (or fraction there-
5 of) that the taxpayer's adjusted gross in-
6 come for the taxable year exceeds
7 \$100,000 (\$50,000 in the case of a mar-
8 ried individual filing a separate return).

9 “(iii) LIMITATION.—Clause (i) shall
10 not apply with respect to any mortgage in-
11 surance contracts issued before January 1,
12 2007.

13 “(iv) TERMINATION.—Clause (i) shall
14 not apply to amounts—

15 “(I) paid or accrued after De-
16 cember 31, 2007, or

17 “(II) properly allocable to any
18 period after such date.”.

19 (b) DEFINITION AND SPECIAL RULES.—Section
20 163(h)(4) (relating to other definitions and special rules)
21 is amended by adding at the end the following new sub-
22 paragraphs:

23 “(E) QUALIFIED MORTGAGE INSUR-
24 ANCE.—The term ‘qualified mortgage insur-
25 ance’ means—

1 “(i) mortgage insurance provided by
2 the Veterans Administration, the Federal
3 Housing Administration, or the Rural
4 Housing Administration, and

5 “(ii) private mortgage insurance (as
6 defined by section 2 of the Homeowners
7 Protection Act of 1998 (12 U.S.C. 4901),
8 as in effect on the date of the enactment
9 of this subparagraph).

10 “(F) SPECIAL RULES FOR PREPAID QUALI-
11 FIED MORTGAGE INSURANCE.—Any amount
12 paid by the taxpayer for qualified mortgage in-
13 surance that is properly allocable to any mort-
14 gage the payment of which extends to periods
15 that are after the close of the taxable year in
16 which such amount is paid shall be chargeable
17 to capital account and shall be treated as paid
18 in such periods to which so allocated. No deduc-
19 tion shall be allowed for the unamortized bal-
20 ance of such account if such mortgage is satis-
21 fied before the end of its term. The preceding
22 sentences shall not apply to amounts paid for
23 qualified mortgage insurance provided by the
24 Veterans Administration or the Rural Housing
25 Administration.”.

1 (c) INFORMATION RETURNS RELATING TO MORT-
2 GAGE INSURANCE.—Section 6050H (relating to returns
3 relating to mortgage interest received in trade or business
4 from individuals) is amended by adding at the end the fol-
5 lowing new subsection:

6 “(h) RETURNS RELATING TO MORTGAGE INSURANCE
7 PREMIUMS.—

8 “(1) IN GENERAL.—The Secretary may pre-
9 scribe, by regulations, that any person who, in the
10 course of a trade or business, receives from any indi-
11 vidual premiums for mortgage insurance aggregating
12 \$600 or more for any calendar year, shall make a
13 return with respect to each such individual. Such re-
14 turn shall be in such form, shall be made at such
15 time, and shall contain such information as the Sec-
16 retary may prescribe.

17 “(2) STATEMENT TO BE FURNISHED TO INDI-
18 VIDUALS WITH RESPECT TO WHOM INFORMATION IS
19 REQUIRED.—Every person required to make a re-
20 turn under paragraph (1) shall furnish to each indi-
21 vidual with respect to whom a return is made a writ-
22 ten statement showing such information as the Sec-
23 retary may prescribe. Such written statement shall
24 be furnished on or before January 31 of the year

1 following the calendar year for which the return
2 under paragraph (1) was required to be made.

3 “(3) SPECIAL RULES.—For purposes of this
4 subsection—

5 “(A) rules similar to the rules of sub-
6 section (c) shall apply, and

7 “(B) the term ‘mortgage insurance’
8 means—

9 “(i) mortgage insurance provided by
10 the Veterans Administration, the Federal
11 Housing Administration, or the Rural
12 Housing Administration, and

13 “(ii) private mortgage insurance (as
14 defined by section 2 of the Homeowners
15 Protection Act of 1998 (12 U.S.C. 4901),
16 as in effect on the date of the enactment
17 of this subsection).”.

18 (d) EFFECTIVE DATE.—The amendments made by
19 this section shall apply to amounts paid or accrued after
20 December 31, 2006.

21 **SEC. 251. MODIFICATION OF REFUNDS FOR KEROSENE**
22 **USED IN AVIATION.**

23 (a) IN GENERAL.—Paragraph (4) of section 6427(l)
24 (relating to nontaxable uses of diesel fuel and kerosene)
25 is amended to read as follows:

1 “(4) REFUNDS FOR KEROSENE USED IN AVIA-
2 TION.—

3 “(A) KEROSENE USED IN COMMERCIAL
4 AVIATION.—In the case of kerosene used in
5 commercial aviation (as defined in section
6 4083(b)) (other than supplies for vessels or air-
7 craft within the meaning of section 4221(d)(3)),
8 paragraph (1) shall not apply to so much of the
9 tax imposed by section 4041 or 4081, as the
10 case may be, as is attributable to—

11 “(i) the Leaking Underground Stor-
12 age Tank Trust Fund financing rate im-
13 posed by such section, and

14 “(ii) so much of the rate of tax speci-
15 fied in section 4041(c) or
16 4081(a)(2)(A)(iii), as the case may be, as
17 does not exceed 4.3 cents per gallon.

18 “(B) KEROSENE USED IN NONCOMMER-
19 CIAL AVIATION.—In the case of kerosene used
20 in aviation that is not commercial aviation (as
21 so defined) (other than any use which is exempt
22 from the tax imposed by section 4041(c) other
23 than by reason of a prior imposition of tax),
24 paragraph (1) shall not apply to—

1 “(i) any tax imposed by section
2 4041(c), and

3 “(ii) so much of the tax imposed by
4 section 4081 as is attributable to—

5 “(I) the Leaking Underground
6 Storage Tank Trust Fund financing
7 rate imposed by such section, and

8 “(II) so much of the rate of tax
9 specified in section 4081(a)(2)(A)(iii)
10 as does not exceed the rate specified
11 in section 4081(a)(2)(C)(ii).

12 “(C) PAYMENTS TO ULTIMATE, REG-
13 ISTERED VENDOR.—

14 “(i) IN GENERAL.—With respect to
15 any kerosene used in aviation (other than
16 kerosene described in clause (ii) or ker-
17 osene to which paragraph (5) applies), if
18 the ultimate purchaser of such kerosene
19 waives (at such time and in such form and
20 manner as the Secretary shall prescribe)
21 the right to payment under paragraph (1)
22 and assigns such right to the ultimate ven-
23 dor, then the Secretary shall pay the
24 amount which would be paid under para-

1 graph (1) to such ultimate vendor, but
2 only if such ultimate vendor—

3 “(I) is registered under section
4 4101, and

5 “(II) meets the requirements of
6 subparagraph (A), (B), or (D) of sec-
7 tion 6416(a)(1).

8 “(ii) PAYMENTS FOR KEROSENE USED
9 IN NONCOMMERCIAL AVIATION.—The
10 amount which would be paid under para-
11 graph (1) with respect to any kerosene to
12 which subparagraph (B) applies shall be
13 paid only to the ultimate vendor of such
14 kerosene. A payment shall be made to such
15 vendor if such vendor—

16 “(I) is registered under section
17 4101, and

18 “(II) meets the requirements of
19 subparagraph (A), (B), or (D) of sec-
20 tion 6416(a)(1).”.

21 (b) CONFORMING AMENDMENTS.—

22 (1) Section 6427(l) is amended by striking
23 paragraph (5) and by redesignating paragraph (6)
24 as paragraph (5).

1 (2) Section 4082(d)(2)(B) is amended by strik-
2 ing “section 6427(l)(6)(B)” and inserting “section
3 6427(l)(5)(B)”.

4 (3) Section 6427(i)(4)(A) is amended—

5 (A) by striking “paragraph (4)(B), (5), or
6 (6)” each place it appears and inserting “para-
7 graph (4)(C) or (5)”, and

8 (B) by striking “(l)(5), and (l)(6)” and in-
9 serting “(l)(4)(C)(ii), and (l)(5)”.

10 (4) Section 6427(l)(1) is amended by striking
11 “paragraph (4)(B)” and inserting “paragraph
12 (4)(C)(i)”.

13 (5) Section 9502(d) is amended—

14 (A) in paragraph (2), by striking “and
15 (l)(5)”, and

16 (B) in paragraph (3), by striking “or (5)”.

17 (6) Section 9503(c)(7) is amended—

18 (A) by amending subparagraphs (A) and
19 (B) to read as follows:

20 “(A) 4.3 cents per gallon of kerosene sub-
21 ject to section 6427(l)(4)(A) with respect to
22 which a payment has been made by the Sec-
23 retary under section 6427(l), and

24 “(B) 21.8 cents per gallon of kerosene sub-
25 ject to section 6427(l)(4)(B) with respect to

1 which a payment has been made by the Sec-
2 retary under section 6427(l).”, and

3 (B) in the matter following subparagraph
4 (B), by striking “or (5)”.

5 (c) EFFECTIVE DATE.—

6 (1) IN GENERAL.—The amendments made by
7 this section shall apply to kerosene sold after Sep-
8 tember 30, 2005.

9 (2) SPECIAL RULE FOR PENDING CLAIMS.—In
10 the case of kerosene sold for use in aviation (other
11 than kerosene to which section 6427(l)(4)(C)(ii) of
12 the Internal Revenue Code of 1986 (as added by
13 subsection (a)) applies or kerosene to which section
14 6427(l)(5) of such Code (as redesignated by sub-
15 section (b)) applies) after September 30, 2005, and
16 before the date of the enactment of this Act, the ul-
17 timate purchaser shall be treated as having waived
18 the right to payment under section 6427(l)(1) of
19 such Code and as having assigned such right to the
20 ultimate vendor if such ultimate vendor has met the
21 requirements of subparagraph (A), (B), or (D) of
22 section 6416(a)(1) of such Code.

23 (d) SPECIAL RULE FOR KEROSENE USED IN AVIA-
24 TION ON A FARM FOR FARMING PURPOSES.—

1 (1) REFUNDS FOR PURCHASES AFTER DECEM-
2 BER 31, 2004, AND BEFORE OCTOBER 1, 2005.—
3 The Secretary of the Treasury shall pay to the ulti-
4 mate purchaser of any kerosene which is used in
5 aviation on a farm for farming purposes and which
6 was purchased after December 31, 2004, and before
7 October 1, 2005, an amount equal to the aggregate
8 amount of tax imposed on such fuel under section
9 4041 or 4081 of the Internal Revenue Code of 1986,
10 as the case may be, reduced by any payment to the
11 ultimate vendor under section 6427(l)(5)(C) of such
12 Code (as in effect on the day before the date of the
13 enactment of the Safe, Accountable, Flexible, Effi-
14 cient Transportation Equity Act: a Legacy for
15 Users).

16 (2) USE ON A FARM FOR FARMING PUR-
17 POSES.—For purposes of paragraph (1), kerosene
18 shall be treated as used on a farm for farming pur-
19 poses if such kerosene is used for farming purposes
20 (within the meaning of section 6420(c)(3) of the In-
21 ternal Revenue Code of 1986) in carrying on a trade
22 or business on a farm situated in the United States.
23 For purposes of the preceding sentence, rules similar
24 to the rules of section 6420(c)(4) of such Code shall
25 apply.

1 (3) TIME FOR FILING CLAIMS.—No claim shall
2 be allowed under paragraph (1) unless the ultimate
3 purchaser files such claim before the date that is 3
4 months after the date of the enactment of this Act.

5 (4) NO DOUBLE BENEFIT.—No amount shall be
6 paid under paragraph (1) or section 6427(l) of the
7 Internal Revenue Code of 1986 with respect to any
8 kerosene described in paragraph (1) to the extent
9 that such amount is in excess of the tax imposed on
10 such kerosene under section 4041 or 4081 of such
11 Code, as the case may be.

12 (5) APPLICABLE LAWS.—For purposes of this
13 subsection, rules similar to the rules of section
14 6427(j) of the Internal Revenue Code of 1986 shall
15 apply.

16 **SEC. 252. DEDUCTION FOR QUALIFIED TIMBER GAIN.**

17 (a) IN GENERAL.—Part I of subchapter P of chapter
18 1 is amended by adding at the end the following new sec-
19 tion:

20 **“SEC. 1203. DEDUCTION FOR QUALIFIED TIMBER GAIN.**

21 “(a) IN GENERAL.—In the case of a taxpayer which
22 elects the application of this section for a taxable year,
23 there shall be allowed a deduction against gross income
24 equal to 60 percent of the lesser of—

1 “(1) the taxpayer’s qualified timber gain for
2 such year, or

3 “(2) the taxpayer’s net capital gain for such
4 year.

5 “(b) QUALIFIED TIMBER GAIN.—For purposes of
6 this section, the term ‘qualified timber gain’ means, with
7 respect to any taxpayer for any taxable year, the excess
8 (if any) of—

9 “(1) the sum of the taxpayer’s gains described
10 in subsections (a) and (b) of section 631 for such
11 year, over

12 “(2) the sum of the taxpayer’s losses described
13 in such subsections for such year.

14 “(c) SPECIAL RULES FOR PASS-THRU ENTITIES.—
15 In the case of any qualified timber gain of a pass-thru
16 entity (as defined in section 1(h)(10))—

17 “(1) the election under this section shall be
18 made separately by each taxpayer subject to tax on
19 such gain, and

20 “(2) the Secretary may prescribe such regula-
21 tions as are appropriate to apply this section to such
22 gain.

23 “(d) TERMINATION.—No disposition of timber after
24 December 31, 2007, shall be taken into account under
25 subsection (b).”.

1 (b) COORDINATION WITH MAXIMUM CAPITAL GAINS
2 RATES.—

3 (1) TAXPAYERS OTHER THAN CORPORA-
4 TIONS.—Paragraph (2) of section 1(h) is amended
5 to read as follows:

6 “(2) REDUCTION OF NET CAPITAL GAIN.—For
7 purposes of this subsection, the net capital gain for
8 any taxable year shall be reduced (but not below
9 zero) by the sum of—

10 “(A) the amount which the taxpayer takes
11 into account as investment income under sec-
12 tion 163(d)(4)(B)(iii), and

13 “(B) in the case of a taxable year with re-
14 spect to which an election is in effect under sec-
15 tion 1203, the lesser of—

16 “(i) the amount described in para-
17 graph (1) of section 1203(a), or

18 “(ii) the amount described in para-
19 graph (2) of such section.”.

20 (2) CORPORATIONS.—Section 1201 is amended
21 by redesignating subsection (b) as subsection (c) and
22 inserting after subsection (a) the following new sub-
23 section:

24 “(b) QUALIFIED TIMBER GAIN NOT TAKEN INTO
25 ACCOUNT.—For purposes of this section, in the case of

1 a corporation with respect to which an election is in effect
2 under section 1203, the net capital gain for any taxable
3 year shall be reduced (but not below zero) by the corpora-
4 tion's qualified timber gain (as defined in section
5 1203(b)).”.

6 (c) DEDUCTION ALLOWED WHETHER OR NOT INDI-
7 VIDUAL ITEMIZES OTHER DEDUCTIONS.—Subsection (a)
8 of section 62, as amended by this Act, is amended by in-
9 serting before the last sentence the following new para-
10 graph:

11 “(22) QUALIFIED TIMBER GAINS.—The deduc-
12 tion allowed by section 1203.”.

13 (d) DEDUCTION ALLOWED IN COMPUTING AD-
14 JUSTED CURRENT EARNINGS.—Subparagraph (C) of sec-
15 tion 56(g)(4) is amended by adding at the end the fol-
16 lowing new clause:

17 “(vii) DEDUCTION FOR QUALIFIED
18 TIMBER GAIN.—Clause (i) shall not apply
19 to any deduction allowed under section
20 1203.”.

21 (e) DEDUCTION ALLOWED IN COMPUTING TAXABLE
22 INCOME OF ELECTING SMALL BUSINESS TRUSTS.—Sub-
23 paragraph (C) of section 641(e)(2) is amended by insert-
24 ing after clause (iii) the following new clause:

1 “(iv) The deduction allowed under
2 section 1203.”.

3 (f) CONFORMING AMENDMENTS.—

4 (1) Subparagraph (B) of section 172(d)(2) is
5 amended to read as follows:

6 “(B) the exclusion under section 1202 and
7 the deduction under section 1203 shall not be
8 allowed.”.

9 (2) Paragraph (4) of section 642(c) is amended
10 by striking the first sentence and inserting the fol-
11 lowing: “To the extent that the amount otherwise al-
12 lowable as a deduction under this subsection consists
13 of gain described in section 1202(a) or qualified tim-
14 ber gain (as defined in section 1203(b)), proper ad-
15 justment shall be made for any exclusion allowable
16 to the estate or trust under section 1202 and for
17 any deduction allowable to the estate or trust under
18 section 1203.”.

19 (3) Paragraph (3) of section 643(a) is amended
20 by striking the last sentence and inserting the fol-
21 lowing: “The exclusion under section 1202 and the
22 deduction under section 1203 shall not be taken into
23 account.”.

24 (4) Subparagraph (C) of section 643(a)(6) is
25 amended to read as follows:

1 “(C) Paragraph (3) shall not apply to a
2 foreign trust. In the case of such a trust—

3 “(i) there shall be included gains from
4 the sale or exchange of capital assets, re-
5 duced by losses from such sales or ex-
6 changes to the extent such losses do not
7 exceed gains from such sales or exchanges,
8 and

9 “(ii) the deduction under section 1203
10 shall not be taken into account.”.

11 (5) Paragraph (4) of section 691(c) is amended
12 by inserting “1203,” after “1202,”.

13 (6) Paragraph (2) of section 871(a) is amended
14 by striking “section 1202” and inserting “sections
15 1202 and 1203”.

16 (7) The table of sections for part I of sub-
17 chapter P of chapter 1 is amended by adding at the
18 end the following new item:

“Sec. 1203. Deduction for qualified timber gain.”.

19 (g) EFFECTIVE DATE.—

20 (1) IN GENERAL.—The amendments made by
21 this section shall apply to taxable years ending after
22 the date of the enactment of this Act.

23 (2) TAXABLE YEARS WHICH INCLUDE DATE OF
24 ENACTMENT.—In the case of any taxable year which
25 includes the date of the enactment of this Act, for

1 purposes of the Internal Revenue Code of 1986, the
2 taxpayer's qualified timber gain shall not exceed the
3 excess that would be described in section 1203(b) of
4 such Code, as added by this section, if only disposi-
5 tions of timber after such date were taken into ac-
6 count.

7 **SEC. 253. CREDIT TO HOLDERS OF RURAL RENAISSANCE**
8 **BONDS.**

9 (a) IN GENERAL.—Subpart H of part IV of sub-
10 chapter A of chapter 1 (relating to credits against tax)
11 is amended by adding at the end the following new section:

12 **“SEC. 54A. CREDIT TO HOLDERS OF RURAL RENAISSANCE**
13 **BONDS.**

14 “(a) ALLOWANCE OF CREDIT.—In the case of a tax-
15 payer who holds a rural renaissance bond on a credit al-
16 lowance date of such bond, which occurs during the tax-
17 able year, there shall be allowed as a credit against the
18 tax imposed by this chapter for such taxable year an
19 amount equal to the sum of the credits determined under
20 subsection (b) with respect to credit allowance dates dur-
21 ing such year on which the taxpayer holds such bond.

22 “(b) AMOUNT OF CREDIT.—

23 “(1) IN GENERAL.—The amount of the credit
24 determined under this subsection with respect to any
25 credit allowance date for a rural renaissance bond is

1 25 percent of the annual credit determined with re-
2 spect to such bond.

3 “(2) ANNUAL CREDIT.—The annual credit de-
4 termined with respect to any rural renaissance bond
5 is the product of—

6 “(A) the credit rate determined by the Sec-
7 retary under paragraph (3) for the day on
8 which such bond was sold, multiplied by

9 “(B) the outstanding face amount of the
10 bond.

11 “(3) DETERMINATION.—For purposes of para-
12 graph (2), with respect to any rural renaissance
13 bond, the Secretary shall determine daily or caused
14 to be determined daily a credit rate which shall
15 apply to the first day on which there is a binding,
16 written contract for the sale or exchange of the
17 bond. The credit rate for any day is the credit rate
18 which the Secretary or the Secretary’s designee esti-
19 mates will permit the issuance of rural renaissance
20 bonds with a specified maturity or redemption date
21 without discount and without interest cost to the
22 qualified issuer.

23 “(4) CREDIT ALLOWANCE DATE.—For purposes
24 of this section, the term ‘credit allowance date’
25 means—

- 1 “(A) March 15,
2 “(B) June 15,
3 “(C) September 15, and
4 “(D) December 15.

5 Such term also includes the last day on which the
6 bond is outstanding.

7 “(5) SPECIAL RULE FOR ISSUANCE AND RE-
8 DEMPTION.—In the case of a bond which is issued
9 during the 3-month period ending on a credit allow-
10 ance date, the amount of the credit determined
11 under this subsection with respect to such credit al-
12 lowance date shall be a ratable portion of the credit
13 otherwise determined based on the portion of the 3-
14 month period during which the bond is outstanding.
15 A similar rule shall apply when the bond is redeemed
16 or matures.

17 “(c) LIMITATION BASED ON AMOUNT OF TAX.—The
18 credit allowed under subsection (a) for any taxable year
19 shall not exceed the excess of—

20 “(1) the sum of the regular tax liability (as de-
21 fined in section 26(b)) plus the tax imposed by sec-
22 tion 55, over

23 “(2) the sum of the credits allowable under this
24 part (other than subpart C and this section).

1 “(d) RURAL RENAISSANCE BOND.—For purposes of
2 this section—

3 “(1) IN GENERAL.—The term ‘rural renaiss-
4 sance bond’ means any bond issued as part of an
5 issue if—

6 “(A) the bond is issued by a qualified
7 issuer,

8 “(B) 95 percent or more of the proceeds
9 from the sale of such issue are to be used for
10 capital expenditures incurred for 1 or more
11 qualified projects,

12 “(C) the qualified issuer designates such
13 bond for purposes of this section and the bond
14 is in registered form, and

15 “(D) the issue meets the requirements of
16 subsections (e) and (h).

17 “(2) QUALIFIED PROJECT; SPECIAL USE
18 RULES.—

19 “(A) IN GENERAL.—The term ‘qualified
20 project’ means 1 or more projects described in
21 subparagraph (B) located in a rural area.

22 “(B) PROJECTS DESCRIBED.—A project
23 described in this subparagraph is—

24 “(i) a water or waste treatment
25 project,

- 1 “(ii) an affordable housing project,
- 2 “(iii) a community facility project, in-
- 3 cluding hospitals, fire and police stations,
- 4 and nursing and assisted-living facilities,
- 5 “(iv) a value-added agriculture or re-
- 6 newable energy facility project for agricul-
- 7 tural producers or farmer-owned entities,
- 8 including any project to promote the pro-
- 9 duction, processing, or retail sale of eth-
- 10 anol (including fuel at least 85 percent of
- 11 the volume of which consists of ethanol),
- 12 biodiesel, animal waste, biomass, raw com-
- 13 modities, or wind as a fuel,
- 14 “(v) a distance learning or telemedi-
- 15 cine project,
- 16 “(vi) a rural utility infrastructure
- 17 project, including any electric or telephone
- 18 system,
- 19 “(vii) a project to expand broadband
- 20 technology,
- 21 “(viii) a rural teleworks project, and
- 22 “(ix) any project described in any pre-
- 23 ceding clause carried out by the Delta Re-
- 24 gional Authority.

1 “(C) SPECIAL RULES.—For purposes of
2 this paragraph—

3 “(i) any project described in subpara-
4 graph (B)(iv) for a farmer-owned entity
5 may be considered a qualified project if
6 such entity is located in a rural area, or in
7 the case of a farmer-owned entity the
8 headquarters of which are located in a
9 nonrural area, if the project is located in
10 a rural area, and

11 “(ii) any project for a farmer-owned
12 entity which is a facility described in sub-
13 paragraph (B)(iv) for agricultural pro-
14 ducers may be considered a qualified
15 project regardless of whether the facility is
16 located in a rural or nonrural area.

17 “(3) SPECIAL USE RULES.—

18 “(A) REFINANCING RULES.—For purposes
19 of paragraph (1)(B), a qualified project may be
20 refinanced with proceeds of a rural renaissance
21 bond only if the indebtedness being refinanced
22 (including any obligation directly or indirectly
23 refinanced by such indebtedness) was originally
24 incurred after the date of the enactment of this
25 section.

1 “(B) REIMBURSEMENT.—For purposes of
2 paragraph (1)(B), a rural renaissance bond
3 may be issued to reimburse a borrower for
4 amounts paid after the date of the enactment
5 of this section with respect to a qualified
6 project, but only if—

7 “(i) prior to the payment of the origi-
8 nal expenditure, the borrower declared its
9 intent to reimburse such expenditure with
10 the proceeds of a rural renaissance bond,

11 “(ii) not later than 60 days after pay-
12 ment of the original expenditure, the quali-
13 fied issuer adopts an official intent to re-
14 imburse the original expenditure with such
15 proceeds, and

16 “(iii) the reimbursement is made not
17 later than 18 months after the date the
18 original expenditure is paid.

19 “(C) TREATMENT OF CHANGES IN USE.—
20 For purposes of paragraph (1)(B), the proceeds
21 of an issue shall not be treated as used for a
22 qualified project to the extent that a borrower
23 takes any action within its control which causes
24 such proceeds not to be used for a qualified
25 project. The Secretary shall prescribe regula-

1 tions specifying remedial actions that may be
2 taken (including conditions to taking such re-
3 medial actions) to prevent an action described
4 in the preceding sentence from causing a bond
5 to fail to be a rural renaissance bond.

6 “(e) MATURITY LIMITATIONS.—

7 “(1) DURATION OF TERM.—A bond shall not be
8 treated as a rural renaissance bond if the maturity
9 of such bond exceeds the maximum term determined
10 by the Secretary under paragraph (2) with respect
11 to such bond.

12 “(2) MAXIMUM TERM.—During each calendar
13 month, the Secretary shall determine the maximum
14 term permitted under this paragraph for bonds
15 issued during the following calendar month. Such
16 maximum term shall be the term which the Sec-
17 retary estimates will result in the present value of
18 the obligation to repay the principal on the bond
19 being equal to 50 percent of the face amount of such
20 bond. Such present value shall be determined with-
21 out regard to the requirements of paragraph (3) and
22 using as a discount rate the average annual interest
23 rate of tax-exempt obligations having a term of 10
24 years or more which are issued during the month. If
25 the term as so determined is not a multiple of a

1 whole year, such term shall be rounded to the next
2 highest whole year.

3 “(3) RATABLE PRINCIPAL AMORTIZATION RE-
4 QUIRED.—A bond shall not be treated as a rural
5 renaissance bond unless it is part of an issue which
6 provides for an equal amount of principal to be paid
7 by the qualified issuer during each calendar year
8 that the issue is outstanding.

9 “(f) LIMITATION ON AMOUNT OF BONDS DES-
10 IGNATED.—

11 “(1) NATIONAL LIMITATION.—There is a rural
12 renaissance bond limitation of \$200,000,000.

13 “(2) ALLOCATION BY SECRETARY.—The Sec-
14 retary shall allocate the amount described in para-
15 graph (1) among qualified projects in such manner
16 as the Secretary determines appropriate.

17 “(g) CREDIT INCLUDED IN GROSS INCOME.—Gross
18 income includes the amount of the credit allowed to the
19 taxpayer under this section (determined without regard to
20 subsection (c)) and the amount so included shall be treat-
21 ed as interest income.

22 “(h) SPECIAL RULES RELATING TO EXPENDI-
23 TURES.—

24 “(1) IN GENERAL.—An issue shall be treated as
25 meeting the requirements of this subsection if, as of

1 the date of issuance, the qualified issuer reasonably
2 expects—

3 “(A) at least 95 percent of the proceeds
4 from the sale of the issue are to be spent for
5 1 or more qualified projects within the 5-year
6 period beginning on the date of issuance of the
7 rural renaissance bond,

8 “(B) a binding commitment with a third
9 party to spend at least 10 percent of the pro-
10 ceeds from the sale of the issue will be incurred
11 within the 6-month period beginning on the
12 date of issuance of the rural renaissance bond
13 or, in the case of a rural renaissance bond, the
14 proceeds of which are to be loaned to 2 or more
15 borrowers, such binding commitment will be in-
16 curred within the 6-month period beginning on
17 the date of the loan of such proceeds to a bor-
18 rower, and

19 “(C) such projects will be completed with
20 due diligence and the proceeds from the sale of
21 the issue will be spent with due diligence.

22 “(2) EXTENSION OF PERIOD.—Upon submis-
23 sion of a request prior to the expiration of the period
24 described in paragraph (1)(A), the Secretary may
25 extend such period if the qualified issuer establishes

1 that the failure to satisfy the 5-year requirement is
2 due to reasonable cause and the related projects will
3 continue to proceed with due diligence.

4 “(3) FAILURE TO SPEND REQUIRED AMOUNT
5 OF BOND PROCEEDS WITHIN 5 YEARS.—To the ex-
6 tent that less than 95 percent of the proceeds of
7 such issue are expended by the close of the 5-year
8 period beginning on the date of issuance (or if an
9 extension has been obtained under paragraph (2), by
10 the close of the extended period), the qualified issuer
11 shall redeem all of the nonqualified bonds within 90
12 days after the end of such period. For purposes of
13 this paragraph, the amount of the nonqualified
14 bonds required to be redeemed shall be determined
15 in the same manner as under section 142.

16 “(i) SPECIAL RULES RELATING TO ARBITRAGE.—A
17 bond which is part of an issue shall not be treated as a
18 rural renaissance bond unless, with respect to the issue
19 of which the bond is a part, the qualified issuer satisfies
20 the arbitrage requirements of section 148 with respect to
21 proceeds of the issue.

22 “(j) QUALIFIED ISSUER.—For purposes of this sec-
23 tion—

24 “(1) IN GENERAL.—The term ‘qualified issuer’
25 means any not-for-profit cooperative lender which

1 has as of the date of the enactment of this section
2 received a guarantee under section 306 of the Rural
3 Electrification Act and which meets the requirement
4 of paragraph (2).

5 “(2) USER FEE REQUIREMENT.—The require-
6 ment of this paragraph is met if the issuer of any
7 rural renaissance bond makes grants for qualified
8 projects as defined under subsection (d)(2) on a
9 semi-annual basis every year that such bond is out-
10 standing in an annual amount equal to one-half of
11 the rate on United States Treasury Bills of the same
12 maturity multiplied by the outstanding principal bal-
13 ance of rural renaissance bonds issued by such
14 issuer.

15 “(k) SPECIAL RULES RELATING TO POOL BONDS.—
16 No portion of a pooled financing bond may be allocable
17 to a loan unless the borrower has entered into a written
18 loan commitment for such portion prior to the issue date
19 of such issue.

20 “(l) OTHER DEFINITIONS AND SPECIAL RULES.—
21 For purposes of this section—

22 “(1) BOND.—The term ‘bond’ includes any ob-
23 ligation.

1 “(2) POOLED FINANCING BOND.—The term
2 ‘pooled financing bond’ shall have the meaning given
3 such term by section 149(f)(4)(A).

4 “(3) RURAL AREA.—The term ‘rural area’
5 means any area other than—

6 “(A) a city or town which has a population
7 of greater than 50,000 inhabitants, or

8 “(B) the urbanized area contiguous and
9 adjacent to such a city or town.

10 “(4) PARTNERSHIP; S CORPORATION; AND
11 OTHER PASS-THRU ENTITIES.—

12 “(A) IN GENERAL.—Under regulations
13 prescribed by the Secretary, in the case of a
14 partnership, trust, S corporation, or other pass-
15 thru entity, rules similar to the rules of section
16 41(g) shall apply with respect to the credit al-
17 lowable under subsection (a).

18 “(B) NO BASIS ADJUSTMENT.—In the case
19 of a bond held by a partnership or an S cor-
20 poration, rules similar to the rules under sec-
21 tion 1397E(l) shall apply.

22 “(5) BONDS HELD BY REGULATED INVEST-
23 MENT COMPANIES.—If any rural renaissance bond is
24 held by a regulated investment company, the credit
25 determined under subsection (a) shall be allowed to

1 shareholders of such company under procedures pre-
2 scribed by the Secretary.

3 “(6) REPORTING.—Issuers of rural renaissance
4 bonds shall submit reports similar to the reports re-
5 quired under section 149(e).”.

6 (b) REPORTING.—Subsection (d) of section 6049 (re-
7 lating to returns regarding payments of interest) is
8 amended by adding at the end the following new para-
9 graph:

10 “(9) REPORTING OF CREDIT ON RURAL RENAISSANCE BONDS.—
11

12 “(A) IN GENERAL.—For purposes of sub-
13 section (a), the term ‘interest’ includes amounts
14 includible in gross income under section 54A(f)
15 and such amounts shall be treated as paid on
16 the credit allowance date (as defined in section
17 54A(b)(4)).

18 “(B) REPORTING TO CORPORATIONS,
19 ETC.—Except as otherwise provided in regula-
20 tions, in the case of any interest described in
21 subparagraph (A), subsection (b)(4) shall be
22 applied without regard to subparagraphs (A),
23 (H), (I), (J), (K), and (L)(i) of such subsection.

24 “(C) REGULATORY AUTHORITY.—The Sec-
25 retary may prescribe such regulations as are

1 necessary or appropriate to carry out the pur-
2 poses of this paragraph, including regulations
3 which require more frequent or more detailed
4 reporting.”.

5 (c) CONFORMING AMENDMENTS.—

6 (1) The table of sections for subpart H of part
7 IV of subchapter A of chapter 1 is amended by add-
8 ing at the end the following new item:

 “Sec. 54A. Credit to holders of rural renaissance bonds.”.

9 (2) Section 54(c)(2) is amended by inserting “,
10 section 54A,” after “subpart C”.

11 (3) Section 1400N(l)(3)(B) is amended by in-
12 serting “, section 54A,” after “subpart C”.

13 (d) ISSUANCE OF REGULATIONS.—The Secretary of
14 Treasury shall issue regulations required under section
15 54A of the Internal Revenue Code of 1986 (as added by
16 this section) not later than 120 days after the date of the
17 enactment of this Act.

18 (e) EFFECTIVE DATE.—The amendments made by
19 this section shall apply to bonds issued after the date of
20 the enactment of this Act and before January 1, 2010.

21 **SEC. 254. RESTORATION OF DEDUCTION FOR TRAVEL EX-**
22 **PENSES OF SPOUSE, ETC. ACCOMPANYING**
23 **TAXPAYER ON BUSINESS TRAVEL.**

24 (a) IN GENERAL.—Subsection (m) of section 274 (re-
25 lating to additional limitations on travel expenses) is

1 amended by adding at the end the following new para-
2 graph:

3 “(4) **TERMINATION.**—Paragraph (3) shall not
4 apply to any expense paid or incurred after the date
5 of the enactment of this paragraph and before Janu-
6 ary 1, 2008.”.

7 (b) **EFFECTIVE DATE.**—The amendment made by
8 this section shall apply to amounts paid or incurred after
9 the date of the enactment of this Act.

10 **SEC. 255. TECHNICAL CORRECTIONS.**

11 (a) **TECHNICAL CORRECTION RELATING TO LOOK-**
12 **THROUGH TREATMENT OF PAYMENTS BETWEEN RE-**
13 **LATED CONTROLLED FOREIGN CORPORATIONS UNDER**
14 **THE FOREIGN PERSONAL HOLDING COMPANY RULES.—**

15 (1) **IN GENERAL.—**

16 (A) The first sentence of section
17 954(c)(6)(A), as amended by section 103(b) of
18 the Tax Increase Prevention and Reconciliation
19 Act of 2005, is amended by striking “which is
20 not subpart F income” and inserting “which is
21 neither subpart F income nor income treated as
22 effectively connected with the conduct of a
23 trade or business in the United States”.

24 (B) Section 954(c)(6)(A), as so amended,
25 is amended by striking the last sentence and in-

1 serting the following: “The Secretary shall pre-
2 scribe such regulations as may be necessary or
3 appropriate to carry out this paragraph, includ-
4 ing such regulations as may be necessary or ap-
5 propriate to prevent the abuse of the purposes
6 of this paragraph.”

7 (2) EFFECTIVE DATE.—The amendments made
8 by this subsection shall take effect as if included in
9 section 103(b) of the Tax Increase Prevention and
10 Reconciliation Act of 2005.

11 (b) TECHNICAL CORRECTION REGARDING AUTHOR-
12 ITY TO EXERCISE REASONABLE CAUSE AND GOOD FAITH
13 EXCEPTION.—

14 (1) IN GENERAL.—Section 903(d)(2)(B)(iii) of
15 the American Jobs Creation Act of 2004, as amend-
16 ed by section 303(a) of the Gulf Opportunity Zone
17 Act of 2005, is amended by inserting “or the Sec-
18 retary’s delegate” after “the Secretary of the Treas-
19 ury”.

20 (2) EFFECTIVE DATE.—The amendment made
21 by this subsection shall take effect as if included in
22 the provisions of the American Jobs Creation Act of
23 2004 to which it relates.

1 **TITLE III—SURFACE MINING**
2 **CONTROL AND RECLAMATION**
3 **ACT AMENDMENTS OF 2006**

4 **SEC. 301. SHORT TITLE.**

5 This title may be cited as the “Surface Mining Con-
6 trol and Reclamation Act Amendments of 2006”.

7 **Subtitle A—MINING CONTROL**
8 **AND RECLAMATION**

9 **SEC. 311. ABANDONED MINE RECLAMATION FUND AND**
10 **PURPOSES.**

11 (a) IN GENERAL.—Section 401 of the Surface Min-
12 ing Control and Reclamation Act of 1977 (30 U.S.C.
13 1231) is amended—

14 (1) in subsection (c)—

15 (A) by striking paragraphs (2) and (6);

16 and

17 (B) by redesignating paragraphs (3), (4),

18 and (5) and paragraphs (7) through (13) as

19 paragraphs (2) through (11), respectively;

20 (2) by striking subsection (d) and inserting the

21 following:

22 “(d) AVAILABILITY OF MONEYS; NO FISCAL YEAR

23 LIMITATION.—

24 “(1) IN GENERAL.—Moneys from the fund for

25 expenditures under subparagraphs (A) through (D)

1 of section 402(g)(3) shall be available only when ap-
2 propriated for those subparagraphs.

3 “(2) NO FISCAL YEAR LIMITATION.—Appropria-
4 tions described in paragraph (1) shall be made with-
5 out fiscal year limitation.

6 “(3) OTHER PURPOSES.—Moneys from the
7 fund shall be available for all other purposes of this
8 title without prior appropriation as provided in sub-
9 section (f).”;

10 (3) in subsection (e)—

11 (A) in the second sentence, by striking
12 “the needs of such fund” and inserting “achiev-
13 ing the purposes of the transfers under section
14 402(h)”; and

15 (B) in the third sentence, by inserting be-
16 fore the period the following: “for the purpose
17 of the transfers under section 402(h)”; and

18 (4) by adding at the end the following:

19 “(f) GENERAL LIMITATION ON OBLIGATION AU-
20 THORITY.—

21 “(1) IN GENERAL.—From amounts deposited
22 into the fund under subsection (b), the Secretary
23 shall distribute during each fiscal year beginning
24 after September 30, 2007, an amount determined
25 under paragraph (2).

1 “(2) AMOUNTS.—

2 “(A) FOR FISCAL YEARS 2008 THROUGH
3 2022.—For each of fiscal years 2008 through
4 2022, the amount distributed by the Secretary
5 under this subsection shall be equal to—

6 “(i) the amounts deposited into the
7 fund under paragraphs (1), (2), and (4) of
8 subsection (b) for the preceding fiscal year
9 that were allocated under paragraphs (1)
10 and (5) of section 402(g); plus

11 “(ii) the amount needed for the ad-
12 justment under section 402(g)(8) for the
13 current fiscal year.

14 “(B) FISCAL YEARS 2023 AND THERE-
15 AFTER.—For fiscal year 2023 and each fiscal
16 year thereafter, to the extent that funds are
17 available, the Secretary shall distribute an
18 amount equal to the amount distributed under
19 subparagraph (A) during fiscal year 2022.

20 “(3) DISTRIBUTION.—

21 “(A) IN GENERAL.—Except as provided in
22 subparagraph (B), for each fiscal year, of the
23 amount to be distributed to States and Indian
24 tribes pursuant to paragraph (2), the Secretary
25 shall distribute—

1 “(i) the amounts allocated under
2 paragraph (1) of section 402(g), the
3 amounts allocated under paragraph (5) of
4 section 402(g), and any amount reallocated
5 under section 411(h)(3) in accordance with
6 section 411(h)(2), for grants to States and
7 Indian tribes under section 402(g)(5); and

8 “(ii) the amounts allocated under sec-
9 tion 402(g)(8).

10 “(B) EXCLUSION.—Beginning on October
11 1, 2007, certified States shall be ineligible to
12 receive amounts under section 402(g)(1).

13 “(4) AVAILABILITY.—Amounts in the fund
14 available to the Secretary for obligation under this
15 subsection shall be available until expended.

16 “(5) ADDITION.—

17 “(A) IN GENERAL.—Subject to subpara-
18 graph (B), the amount distributed under this
19 subsection for each fiscal year shall be in addi-
20 tion to the amount appropriated from the fund
21 during the fiscal year.

22 “(B) EXCEPTIONS.—Notwithstanding
23 paragraph (3), the amount distributed under
24 this subsection for the first 4 fiscal years begin-
25 ning on and after October 1, 2007, shall be

1 equal to the following percentage of the amount
2 otherwise required to be distributed:

3 “(i) 50 percent in fiscal year 2008.

4 “(ii) 50 percent in fiscal year 2009.

5 “(iii) 75 percent in fiscal year 2010.

6 “(iv) 75 percent in fiscal year 2011.”.

7 (b) CONFORMING AMENDMENT.—Section 712(b) of
8 the Surface Mining Control and Reclamation Act of 1977
9 (30 U.S.C. 1302(b)) is amended by striking “section
10 401(c)(11)” and inserting “section 401(c)(9)”.

11 **SEC. 312. RECLAMATION FEE.**

12 (a) AMOUNTS.—

13 (1) FISCAL YEARS 2008–2012.—Effective Octo-
14 ber 1, 2007, section 402(a) of the Surface Mining
15 Control and Reclamation Act of 1977 (30 U.S.C.
16 1232(a)) is amended—

17 (A) by striking “35” and inserting “31.5”;

18 (B) by striking “15” and inserting “13.5”;

19 and

20 (C) by striking “10 cents” and inserting
21 “9 cents”.

22 (2) FISCAL YEARS 2013–2021.—Effective Octo-
23 ber 1, 2012, section 402(a) of the Surface Mining
24 Control and Reclamation Act of 1977 (30 U.S.C.

1 1232(a)) (as amended by paragraph (1)) is amend-
2 ed—

3 (A) by striking “31.5” and inserting “28”;

4 (B) by striking “13.5” and inserting “12”;

5 and

6 (C) by striking “9 cents” and inserting “8
7 cents”.

8 (b) DURATION.—Effective September 30, 2007, sec-
9 tion 402(b) of the Surface Mining Control and Reclama-
10 tion Act of 1977 (30 U.S.C. 1232(b)) (as amended by sec-
11 tion 7007 of the Emergency Supplemental Appropriations
12 Act for Defense, the Global War on Terror, and Hurricane
13 Recovery, 2006 (Public Law 109–234; 120 Stat. 484)) is
14 amended by striking “September 30, 2007” and all that
15 follows through the end of the sentence and inserting
16 “September 30, 2021.”.

17 (c) ALLOCATION OF FUNDS.—Section 402(g) of the
18 Surface Mining Control and Reclamation Act of 1977 (30
19 U.S.C. 1232(g)) is amended—

20 (1) in paragraph (1)(D)—

21 (A) by inserting “(except for grants award-
22 ed during fiscal years 2008, 2009, and 2010 to
23 the extent not expended within 5 years)” after
24 “this paragraph”; and

1 (B) by striking “in any area under para-
2 graph (2), (3), (4), or (5)” and inserting
3 “under paragraph (5)”;

4 (2) by striking paragraph (2) and inserting:

5 “(2) In making the grants referred to in paragraph
6 (1)(C) and the grants referred to in paragraph (5), the
7 Secretary shall ensure strict compliance by the States and
8 Indian tribes with the priorities described in section
9 403(a) until a certification is made under section
10 411(a).”;

11 (3) in paragraph (3)—

12 (A) in the matter preceding subparagraph
13 (A), by striking “paragraphs (2) and” and in-
14 serting “paragraph”;

15 (B) in subparagraph (A), by striking
16 “401(c)(11)” and inserting “401(c)(9)”; and

17 (C) by adding at the end the following:

18 “(E) For the purpose of paragraph (8).”;

19 (4) in paragraph (5)—

20 (A) by inserting “(A)” after “(5)”;

21 (B) in the first sentence, by striking “40”
22 and inserting “60”;

23 (C) in the last sentence, by striking
24 “Funds allocated or expended by the Secretary
25 under paragraphs (2), (3), or (4)” and insert-

1 ing “Funds made available under paragraph (3)
2 or (4)”;

3 (D) by adding at the end the following:

4 “(B) Any amount that is reallocated and available
5 under section 411(h)(3) shall be in addition to amounts
6 that are allocated under subparagraph (A).”;

7 (5) by striking paragraphs (6) through (8) and
8 inserting the following:

9 “(6)(A) Any State with an approved abandoned mine
10 reclamation program pursuant to section 405 may receive
11 and retain, without regard to the 3-year limitation re-
12 ferred to in paragraph (1)(D), up to 30 percent of the
13 total of the grants made annually to the State under para-
14 graphs (1) and (5) if those amounts are deposited into
15 an acid mine drainage abatement and treatment fund es-
16 tablished under State law, from which amounts (together
17 with all interest earned on the amounts) are expended by
18 the State for the abatement of the causes and the treat-
19 ment of the effects of acid mine drainage in a comprehen-
20 sive manner within qualified hydrologic units affected by
21 coal mining practices.

22 “(B) In this paragraph, the term ‘qualified hydrologic
23 unit’ means a hydrologic unit—

24 “(i) in which the water quality has been signifi-
25 cantly affected by acid mine drainage from coal min-

1 ing practices in a manner that adversely impacts bi-
2 ological resources; and

3 “(ii) that contains land and water that are—

4 “(I) eligible pursuant to section 404 and
5 include any of the priorities described in section
6 403(a); and

7 “(II) the subject of expenditures by the
8 State from the forfeiture of bonds required
9 under section 509 or from other States sources
10 to abate and treat acid mine drainage.

11 “(7) In complying with the priorities described in sec-
12 tion 403(a), any State or Indian tribe may use amounts
13 available in grants made annually to the State or tribe
14 under paragraphs (1) and (5) for the reclamation of eligi-
15 ble land and water described in section 403(a)(3) before
16 the completion of reclamation projects under paragraphs
17 (1) and (2) of section 403(a) only if the expenditure of
18 funds for the reclamation is done in conjunction with the
19 expenditure before, on, or after the date of enactment of
20 the Surface Mining Control and Reclamation Act Amend-
21 ments of 2006 of funds for reclamation projects under
22 paragraphs (1) and (2) of section 403(a).

23 “(8)(A) In making funds available under this title,
24 the Secretary shall ensure that the grant awards total not
25 less than \$3,000,000 annually to each State and each In-

1 dian tribe having an approved abandoned mine reclama-
2 tion program pursuant to section 405 and eligible land
3 and water pursuant to section 404, so long as an alloca-
4 tion of funds to the State or tribe is necessary to achieve
5 the priorities stated in paragraphs (1) and (2) of section
6 403(a).

7 “(B) Notwithstanding any other provision of law, this
8 paragraph applies to the States of Tennessee and Mis-
9 souri.”.

10 (d) TRANSFERS OF INTEREST EARNED BY ABAN-
11 DONED MINE RECLAMATION FUND.—Section 402 of the
12 Surface Mining Control and Reclamation Act of 1977 (30
13 U.S.C. 1232) is amended by striking subsection (h) and
14 inserting the following:

15 “(h) TRANSFERS OF INTEREST EARNED BY FUND.—

16 “(1) IN GENERAL.—

17 “(A) TRANSFERS TO COMBINED BENEFIT
18 FUND.—As soon as practicable after the begin-
19 ning of fiscal year 2007 and each fiscal year
20 thereafter, and before making any allocation
21 with respect to the fiscal year under subsection
22 (g), the Secretary shall use an amount not to
23 exceed the amount of interest that the Sec-
24 retary estimates will be earned and paid to the

1 fund during the fiscal year to make the transfer
2 described in paragraph (2)(A).

3 “(B) TRANSFERS TO 1992 AND 1993
4 PLANS.—As soon as practicable after the begin-
5 ning of fiscal year 2008 and each fiscal year
6 thereafter, and before making any allocation
7 with respect to the fiscal year under subsection
8 (g), the Secretary shall use an amount not to
9 exceed the amount of interest that the Sec-
10 retary estimates will be earned and paid to the
11 fund during the fiscal year (reduced by the
12 amount used under subparagraph (A)) to make
13 the transfers described in paragraphs (2)(B)
14 and (2)(C).

15 “(2) TRANSFERS DESCRIBED.—The transfers
16 referred to in paragraph (1) are the following:

17 “(A) UNITED MINE WORKERS OF AMERICA
18 COMBINED BENEFIT FUND.—A transfer to the
19 United Mine Workers of America Combined
20 Benefit Fund equal to the amount that the
21 trustees of the Combined Benefit Fund esti-
22 mate will be expended from the fund for the fis-
23 cal year in which the transfer is made, reduced
24 by—

1 “(i) the amount the trustees of the
2 Combined Benefit Fund estimate the Com-
3 bined Benefit Fund will receive during the
4 fiscal year in—

5 “(I) required premiums; and

6 “(II) payments paid by Federal
7 agencies in connection with benefits
8 provided by the Combined Benefit
9 Fund; and

10 “(ii) the amount the trustees of the
11 Combined Benefit Fund estimate will be
12 expended during the fiscal year to provide
13 health benefits to beneficiaries who are un-
14 assigned beneficiaries solely as a result of
15 the application of section 9706(h)(1) of the
16 Internal Revenue Code of 1986, but only
17 to the extent that such amount does not
18 exceed the amounts described in subsection
19 (i)(1)(A) that the Secretary estimates will
20 be available to pay such estimated expendi-
21 tures.

22 “(B) UNITED MINE WORKERS OF AMERICA
23 1992 BENEFIT PLAN.—A transfer to the United
24 Mine Workers of America 1992 Benefit Plan, in
25 an amount equal to the difference between—

1 “(i) the amount that the trustees of
2 the 1992 UMWA Benefit Plan estimate
3 will be expended from the 1992 UMWA
4 Benefit Plan during the next calendar year
5 to provide the benefits required by the
6 1992 UMWA Benefit Plan on the date of
7 enactment of this subparagraph; minus

8 “(ii) the amount that the trustees of
9 the 1992 UMWA Benefit Plan estimate
10 the 1992 UMWA Benefit Plan will receive
11 during the next calendar year in—

12 “(I) required monthly per bene-
13 ficiary premiums, including the
14 amount of any security provided to
15 the 1992 UMWA Benefit Plan that is
16 available for use in the provision of
17 benefits; and

18 “(II) payments paid by Federal
19 agencies in connection with benefits
20 provided by the 1992 UMWA benefit
21 plan.

22 “(C) MULTIEMPLOYER HEALTH BENEFIT
23 PLAN.—A transfer to the Multiemployer Health
24 Benefit Plan established after July 20, 1992,
25 by the parties that are the settlors of the 1992

1 UMWA Benefit Plan referred to in subpara-
2 graph (B) (referred to in this subparagraph and
3 subparagraph (D) as ‘the Plan’), in an amount
4 equal to the excess (if any) of—

5 “(i) the amount that the trustees of
6 the Plan estimate will be expended from
7 the Plan during the next calendar year, to
8 provide benefits no greater than those pro-
9 vided by the Plan as of December 31,
10 2006; over

11 “(ii) the amount that the trustees es-
12 timated the Plan will receive during the
13 next calendar year in payments paid by
14 Federal agencies in connection with bene-
15 fits provided by the Plan.

16 Such excess shall be calculated by taking into
17 account only those beneficiaries actually en-
18 rolled in the Plan as of December 31, 2006,
19 who are eligible to receive benefits under the
20 Plan on the first day of the calendar year for
21 which the transfer is made.

22 “(D) INDIVIDUALS CONSIDERED EN-
23 ROLLED.—For purposes of subparagraph (C),
24 any individual who was eligible to receive bene-
25 fits from the Plan as of the date of enactment

1 of this subsection, even though benefits were
2 being provided to the individual pursuant to a
3 settlement agreement approved by order of a
4 bankruptcy court entered on or before Sep-
5 tember 30, 2004, will be considered to be actu-
6 ally enrolled in the Plan and shall receive bene-
7 fits from the Plan beginning on December 31,
8 2006.

9 “(3) ADJUSTMENT.—If, for any fiscal year, the
10 amount of a transfer under subparagraph (A), (B),
11 or (C) of paragraph (2) is more or less than the
12 amount required to be transferred under that sub-
13 paragraph, the Secretary shall appropriately adjust
14 the amount transferred under that subparagraph for
15 the next fiscal year.

16 “(4) ADDITIONAL AMOUNTS.—

17 “(A) PREVIOUSLY CREDITED INTEREST.—
18 Notwithstanding any other provision of law, any
19 interest credited to the fund that has not pre-
20 viously been transferred to the Combined Ben-
21 efit Fund referred to in paragraph (2)(A) under
22 this section—

23 “(i) shall be held in reserve by the
24 Secretary until such time as necessary to
25 make the payments under subparagraphs

1 (A) and (B) of subsection (i)(1), as de-
2 scribed in clause (ii); and

3 “(ii) in the event that the amounts de-
4 scribed in subsection (i)(1) are insufficient
5 to make the maximum payments described
6 in subparagraphs (A) and (B) of sub-
7 section (i)(1), shall be used by the Sec-
8 retary to supplement the payments so that
9 the maximum amount permitted under
10 those paragraphs is paid.

11 “(B) PREVIOUSLY ALLOCATED
12 AMOUNTS.—All amounts allocated under sub-
13 section (g)(2) before the date of enactment of
14 this subparagraph for the program described in
15 section 406, but not appropriated before that
16 date, shall be available to the Secretary to make
17 the transfers described in paragraph (2).

18 “(C) ADEQUACY OF PREVIOUSLY CRED-
19 ITED INTEREST.—The Secretary shall—

20 “(i) consult with the trustees of the
21 plans described in paragraph (2) at rea-
22 sonable intervals; and

23 “(ii) notify Congress if a determina-
24 tion is made that the amounts held in re-
25 serve under subparagraph (A) are insuffi-

1 cient to meet future requirements under
2 subparagraph (A)(ii).

3 “(D) ADDITIONAL RESERVE AMOUNTS.—

4 In addition to amounts held in reserve under
5 subparagraph (A), there is authorized to be ap-
6 propriated such sums as may be necessary for
7 transfer to the fund to carry out the purposes
8 of subparagraph (A)(ii).

9 “(E) INAPPLICABILITY OF CAP.—The limi-
10 tation described in subsection (i)(3)(A) shall
11 not apply to payments made from the reserve
12 fund under this paragraph.

13 “(5) LIMITATIONS.—

14 “(A) AVAILABILITY OF FUNDS FOR NEXT
15 FISCAL YEAR.—The Secretary may make trans-
16 fers under subparagraphs (B) and (C) of para-
17 graph (2) for a calendar year only if the Sec-
18 retary determines, using actuarial projections
19 provided by the trustees of the Combined Ben-
20 efit Fund referred to in paragraph (2)(A), that
21 amounts will be available under paragraph (1),
22 after the transfer, for the next fiscal year for
23 making the transfer under paragraph (2)(A).

24 “(B) RATE OF CONTRIBUTIONS OF OBLI-
25 GORS.—

1 “(i) IN GENERAL.—

2 “(I) RATE.—A transfer under
3 paragraph (2)(C) shall not be made
4 for a calendar year unless the persons
5 that are obligated to contribute to the
6 plan referred to in paragraph (2)(C)
7 on the date of the transfer are obli-
8 gated to make the contributions at
9 rates that are no less than those in ef-
10 fect on the date which is 30 days be-
11 fore the date of enactment of this sub-
12 section.

13 “(II) APPLICATION.—The con-
14 tributions described in subclause (I)
15 shall be applied first to the provision
16 of benefits to those plan beneficiaries
17 who are not described in paragraph
18 (2)(C)(ii).

19 “(ii) INITIAL CONTRIBUTIONS.—

20 “(I) IN GENERAL.—From the
21 date of enactment of the Surface Min-
22 ing Control and Reclamation Act
23 Amendments of 2006 through Decem-
24 ber 31, 2010, the persons that, on the
25 date of enactment of that Act, are ob-

1 ligated to contribute to the plan re-
2 ferred to in paragraph (2)(C) shall be
3 obligated, collectively, to make con-
4 tributions equal to the amount de-
5 scribed in paragraph (2)(C), less the
6 amount actually transferred due to
7 the operation of subparagraph (C).

8 “(II) FIRST CALENDAR YEAR.—
9 Calendar year 2006 is the first cal-
10 endar year for which contributions are
11 required under this clause.

12 “(III) AMOUNT OF CONTRIBU-
13 TION FOR 2006.—Except as provided
14 in subclause (IV), the amount de-
15 scribed in paragraph (2)(C) for cal-
16 endar year 2006 shall be calculated as
17 if paragraph (2)(C) had been in effect
18 during 2005.

19 “(IV) LIMITATION.—The con-
20 tributions required under this clause
21 for calendar year 2006 shall not ex-
22 ceed the amount necessary for sol-
23 vency of the plan described in para-
24 graph (2)(C), measured as of Decem-
25 ber 31, 2006 and taking into account

1 all assets held by the plan as of that
2 date.

3 “(iii) DIVISION.—The collective an-
4 nual contribution obligation required under
5 clause (ii) shall be divided among the per-
6 sons subject to the obligation, and applied
7 uniformly, based on the hours worked for
8 which contributions referred to in clause
9 (i) would be owed.

10 “(C) PHASE-IN OF TRANSFERS.—For each
11 of calendar years 2008 through 2010, the
12 transfers required under subparagraphs (B)
13 and (C) of paragraph (2) shall equal the fol-
14 lowing amounts:

15 “(i) For calendar year 2008, the Sec-
16 retary shall make transfers equal to 25
17 percent of the amounts that would other-
18 wise be required under subparagraphs (B)
19 and (C) of paragraph (2).

20 “(ii) For calendar year 2009, the Sec-
21 retary shall make transfers equal to 50
22 percent of the amounts that would other-
23 wise be required under subparagraphs (B)
24 and (C) of paragraph (2).

1 “(iii) For calendar year 2010, the
2 Secretary shall make transfers equal to 75
3 percent of the amounts that would other-
4 wise be required under subparagraphs (B)
5 and (C) of paragraph (2).

6 “(i) FUNDING.—

7 “(1) IN GENERAL.—Subject to paragraph (3),
8 out of any funds in the Treasury not otherwise ap-
9 propriated, the Secretary of the Treasury shall
10 transfer to the plans described in subsection (h)(2)
11 such sums as are necessary to pay the following
12 amounts:

13 “(A) To the Combined Fund (as defined in
14 section 9701(a)(5) of the Internal Revenue
15 Code of 1986 and referred to in this paragraph
16 as the ‘Combined Fund’), the amount that the
17 trustees of the Combined Fund estimate will be
18 expended from premium accounts maintained
19 by the Combined Fund for the fiscal year to
20 provide benefits for beneficiaries who are unas-
21 signed beneficiaries solely as a result of the ap-
22 plication of section 9706(h)(1) of the Internal
23 Revenue Code of 1986, subject to the following
24 limitations:

1 “(i) For fiscal year 2008, the amount
2 paid under this subparagraph shall equal—

3 “(I) the amount described in sub-
4 paragraph (A); minus

5 “(II) the amounts required under
6 section 9706(h)(3)(A) of the Internal
7 Revenue Code of 1986.

8 “(ii) For fiscal year 2009, the amount
9 paid under this subparagraph shall equal—

10 “(I) the amount described in sub-
11 paragraph (A); minus

12 “(II) the amounts required under
13 section 9706(h)(3)(B) of the Internal
14 Revenue Code of 1986.

15 “(iii) For fiscal year 2010, the
16 amount paid under this subparagraph shall
17 equal—

18 “(I) the amount described in sub-
19 paragraph (A); minus

20 “(II) the amounts required under
21 section 9706(h)(3)(C) of the Internal
22 Revenue Code of 1986.

23 “(B) On certification by the trustees of
24 any plan described in subsection (h)(2) that the
25 amount available for transfer by the Secretary

1 pursuant to this section (determined after ap-
2 plication of any limitation under subsection
3 (h)(5)) is less than the amount required to be
4 transferred, to the plan the amount necessary
5 to meet the requirement of subsection (h)(2).

6 “(C) To the Combined Fund, \$9,000,000
7 on October 1, 2007, \$9,000,000 on October 1,
8 2008, and \$9,000,000 on October 1, 2009
9 (which amounts shall not be exceeded) to pro-
10 vide a refund of any premium (as described in
11 section 9704(a) of the Internal Revenue Code
12 of 1986) paid on or before September 7, 2000,
13 to the Combined Fund, plus interest on the pre-
14 mium calculated at the rate of 7.5 percent per
15 year, on a proportional basis and to be paid not
16 later than 60 days after the date on which each
17 payment is received by the Combined Fund, to
18 those signatory operators (to the extent that
19 the Combined Fund has not previously returned
20 the premium amounts to the operators), or any
21 related persons to the operators (as defined in
22 section 9701(e) of the Internal Revenue Code of
23 1986), or their heirs, successors, or assigns who
24 have been denied the refunds as the result of
25 final judgments or settlements if—

1 “(i) prior to the date of enactment of
2 this paragraph, the signatory operator (or
3 any related person to the operator)—

4 “(I) had all of its beneficiary as-
5 signments made under section 9706 of
6 the Internal Revenue Code of 1986
7 voided by the Commissioner of the So-
8 cial Security Administration; and

9 “(II) was subject to a final judg-
10 ment or final settlement of litigation
11 adverse to a claim by the operator
12 that the assignment of beneficiaries
13 under section 9706 of the Internal
14 Revenue Code of 1986 was unconsti-
15 tutional as applied to the operator;
16 and

17 “(ii) on or before September 7, 2000,
18 the signatory operator (or any related per-
19 son to the operator) had paid to the Com-
20 bined Fund any premium amount that had
21 not been refunded.

22 “(2) PAYMENTS TO STATES AND INDIAN
23 TRIBES.—Subject to paragraph (3), out of any funds
24 in the Treasury not otherwise appropriated, the Sec-
25 retary of the Treasury shall transfer to the Sec-

1 retary of the Interior for distribution to States and
2 Indian tribes such sums as are necessary to pay
3 amounts described in paragraphs (1)(A) and (2)(A)
4 of section 411(h).

5 “(3) LIMITATIONS.—

6 “(A) CAP.—The total amount transferred
7 under this subsection for any fiscal year shall
8 not exceed \$490,000,000.

9 “(B) INSUFFICIENT AMOUNTS.—In a case
10 in which the amount required to be transferred
11 without regard to this paragraph exceeds the
12 maximum annual limitation in subparagraph
13 (A), the Secretary shall adjust the transfers of
14 funds so that—

15 “(i) each transfer for the fiscal year is
16 a percentage of the amount described;

17 “(ii) the amount is determined with-
18 out regard to subsection (h)(5)(A); and

19 “(iii) the percentage transferred is the
20 same for all transfers made under this sub-
21 section for the fiscal year.

22 “(4) AVAILABILITY OF FUNDS.—Funds shall be
23 transferred under paragraph (1) and (2) beginning
24 in fiscal year 2008 and each fiscal year thereafter,
25 and shall remain available until expended.”.

1 **SEC. 313. OBJECTIVES OF FUND.**

2 Section 403 of the Surface Mining Control and Rec-
3 lamation Act of 1977 (30 U.S.C. 1233) is amended—

4 (1) in subsection (a)—

5 (A) in paragraph (1)—

6 (i) by striking “(1) the protection”

7 and inserting the following:

8 “(1)(A) the protection;”;

9 (ii) in subparagraph (A) (as des-
10 ignated by clause (i)), by striking “general
11 welfare,”; and

12 (iii) by adding at the end the fol-
13 lowing:

14 “(B) the restoration of land and water re-
15 sources and the environment that—

16 “(i) have been degraded by the adverse ef-
17 fects of coal mining practices; and

18 “(ii) are adjacent to a site that has been
19 or will be remediated under subparagraph
20 (A);”;

21 (B) in paragraph (2)—

22 (i) by striking “(2) the protection”

23 and inserting the following:

24 “(2)(A) the protection”;

25 (ii) in subparagraph (A) (as des-
26 ignated by clause (i)), by striking “health,

1 safety, and general welfare” and inserting
2 “health and safety”; and

3 (iii) by adding at the end the fol-
4 lowing:

5 “(B) the restoration of land and water re-
6 sources and the environment that—

7 “(i) have been degraded by the adverse ef-
8 fects of coal mining practices; and

9 “(ii) are adjacent to a site that has been
10 or will be remediated under subparagraph (A);
11 and”;

12 (C) in paragraph (3), by striking the semi-
13 colon at the end and inserting a period; and

14 (D) by striking paragraphs (4) and (5);
15 (2) in subsection (b)—

16 (A) by striking the subsection heading and
17 inserting “WATER SUPPLY RESTORATION.—”;
18 and

19 (B) in paragraph (1), by striking “up to
20 30 percent of the”; and

21 (3) in the second sentence of subsection (c), by
22 inserting “, subject to the approval of the Sec-
23 retary,” after “amendments”.

1 **SEC. 314. RECLAMATION OF RURAL LAND.**

2 (a) ADMINISTRATION.—Section 406(h) of the Sur-
3 face Mining Control and Reclamation Act of 1977 (30
4 U.S.C. 1236(h)) is amended by striking “Soil Conserva-
5 tion Service” and inserting “Natural Resources Conserva-
6 tion Service”.

7 (b) AUTHORIZATION OF APPROPRIATIONS FOR CAR-
8 RYING OUT RURAL LAND RECLAMATION.—Section 406 of
9 the Surface Mining Control and Reclamation Act of 1977
10 (30 U.S.C. 1236) is amended by adding at the end the
11 following:

12 “(i) There are authorized to be appropriated to the
13 Secretary of Agriculture, from amounts in the Treasury
14 other than amounts in the fund, such sums as may be
15 necessary to carry out this section.”.

16 **SEC. 315. LIENS.**

17 Section 408(a) of the Surface Mining Control and
18 Reclamation Act of 1977 (30 U.S.C. 1238) is amended
19 in the last sentence by striking “who owned the surface
20 prior to May 2, 1977, and”.

21 **SEC. 316. CERTIFICATION.**

22 Section 411 of the Surface Mining Control and Rec-
23 lamation Act of 1977 (30 U.S.C. 1240a) is amended—

24 (1) in subsection (a)—

25 (A) by inserting “(1)” before the first sen-
26 tence; and

1 (B) by adding at the end the following:

2 “(2)(A) The Secretary may, on the initiative of the
3 Secretary, make the certification referred to in paragraph
4 (1) on behalf of any State or Indian tribe referred to in
5 paragraph (1) if on the basis of the inventory referred to
6 in section 403(c) all reclamation projects relating to the
7 priorities described in section 403(a) for eligible land and
8 water pursuant to section 404 in the State or tribe have
9 been completed.

10 “(B) The Secretary shall only make the certification
11 after notice in the Federal Register and opportunity for
12 public comment.”; and

13 (2) by adding at the end the following:

14 “(h) PAYMENTS TO STATES AND INDIAN TRIBES.—

15 “(1) IN GENERAL.—

16 “(A) PAYMENTS.—

17 “(i) IN GENERAL.—Notwithstanding
18 section 401(f)(3)(B), from funds referred
19 to in section 402(i)(2), the Secretary shall
20 make payments to States or Indian tribes
21 for the amount due for the aggregate un-
22 appropriated amount allocated to the State
23 or Indian tribe under subparagraph (A) or
24 (B) of section 402(g)(1).

1 “(ii) CONVERSION AS EQUIVALENT
2 PAYMENTS.—Amounts allocated under sub-
3 paragraphs (A) or (B) of section 402(g)(1)
4 shall be reallocated to the allocation estab-
5 lished in section 402(g)(5) in amounts
6 equivalent to payments made to States or
7 Indian tribes under this paragraph.

8 “(B) AMOUNT DUE.—In this paragraph,
9 the term ‘amount due’ means the unappropri-
10 ated amount allocated to a State or Indian tribe
11 before October 1, 2007, under subparagraph
12 (A) or (B) of section 402(g)(1).

13 “(C) SCHEDULE.—Payments under sub-
14 paragraph (A) shall be made in 7 equal annual
15 installments, beginning with fiscal year 2008.

16 “(D) USE OF FUNDS.—

17 “(i) CERTIFIED STATES AND INDIAN
18 TRIBES.—A State or Indian tribe that
19 makes a certification under subsection (a)
20 in which the Secretary concurs shall use
21 any amounts provided under this para-
22 graph for the purposes established by the
23 State legislature or tribal council of the In-
24 dian tribe, with priority given for address-
25 ing the impacts of mineral development.

1 “(ii) UNCERTIFIED STATES AND IN-
2 DIAN TRIBES.—A State or Indian tribe
3 that has not made a certification under
4 subsection (a) in which the Secretary has
5 concurred shall use any amounts provided
6 under this paragraph for the purposes de-
7 scribed in section 403.

8 “(2) SUBSEQUENT STATE AND INDIAN TRIBE
9 SHARE FOR CERTIFIED STATES AND INDIAN
10 TRIBES.—

11 “(A) IN GENERAL.—Notwithstanding sec-
12 tion 401(f)(3)(B), from funds referred to in
13 section 402(i)(2), the Secretary shall pay to
14 each certified State or Indian tribe an amount
15 equal to the sum of the aggregate unappropri-
16 ated amount allocated on or after October 1,
17 2007, to the certified State or Indian tribe
18 under subparagraph (A) or (B) of section
19 402(g)(1).

20 “(B) CERTIFIED STATE OR INDIAN TRIBE
21 DEFINED.—In this paragraph the term ‘cer-
22 tified State or Indian tribe’ means a State or
23 Indian tribe for which a certification is made
24 under subsection (a) in which the Secretary
25 concurs.

1 “(3) MANNER OF PAYMENT.—

2 “(A) IN GENERAL.—Subject to subpara-
3 graph (B), payments to States or Indian tribes
4 under this subsection shall be made without re-
5 gard to any limitation in section 401(d) and
6 concurrently with payments to States under
7 that section.

8 “(B) INITIAL PAYMENTS.—The first 3 pay-
9 ments made to any State or Indian tribe shall
10 be reduced to 25 percent, 50 percent, and 75
11 percent, respectively, of the amounts otherwise
12 required under paragraph (2)(A).

13 “(C) INSTALLMENTS.—Amounts withheld
14 from the first 3 annual installments as provided
15 under subparagraph (B) shall be paid in 2
16 equal annual installments beginning with fiscal
17 year 2018.

18 “(4) REALLOCATION.—

19 “(A) IN GENERAL.—The amount allocated
20 to any State or Indian tribe under subpara-
21 graph (A) or (B) of section 402(g)(1) that is
22 paid to the State or Indian tribe as a result of
23 a payment under paragraph (1) or (2) shall be
24 reallocated and available for grants under sec-
25 tion 402(g)(5).

1 “(B) ALLOCATION.—The grants shall be
2 allocated based on the amount of coal histori-
3 cally produced before August 3, 1977, in the
4 same manner as under section 402(g)(5).”.

5 **SEC. 317. REMINING INCENTIVES.**

6 Title IV of the Surface Mining Control and Reclama-
7 tion Act of 1977 (30 U.S.C. 1231 et seq.) is amended by
8 adding at the following:

9 **“SEC. 415. REMINING INCENTIVES.**

10 “(a) IN GENERAL.—Notwithstanding any other pro-
11 vision of this Act, the Secretary may, after opportunity
12 for public comment, promulgate regulations that describe
13 conditions under which amounts in the fund may be used
14 to provide incentives to promote reining of eligible land
15 under section 404 in a manner that leverages the use of
16 amounts from the fund to achieve more reclamation with
17 respect to the eligible land than would be achieved without
18 the incentives.

19 “(b) REQUIREMENTS.—Any regulations promulgated
20 under subsection (a) shall specify that the incentives shall
21 apply only if the Secretary determines, with the concur-
22 rence of the State regulatory authority referred to in title
23 V, that, without the incentives, the eligible land would not
24 be likely to be reined and reclaimed.

25 “(c) INCENTIVES.—

1 “(1) IN GENERAL.—Incentives that may be con-
2 sidered for inclusion in the regulations promulgated
3 under subsection (a) include, but are not limited
4 to—

5 “(A) a rebate or waiver of the reclamation
6 fees required under section 402(a); and

7 “(B) the use of amounts in the fund to
8 provide financial assurance for remining oper-
9 ations in lieu of all or a portion of the perform-
10 ance bonds required under section 509.

11 “(2) LIMITATIONS.—

12 “(A) USE.—A rebate or waiver under
13 paragraph (1)(A) shall be used only for oper-
14 ations that—

15 “(i) remove or reprocess abandoned
16 coal mine waste; or

17 “(ii) conduct remining activities that
18 meet the priorities specified in paragraph
19 (1) or (2) of section 403(a).

20 “(B) AMOUNT.—The amount of a rebate
21 or waiver provided as an incentive under para-
22 graph (1)(A) to remine or reclaim eligible land
23 shall not exceed the estimated cost of reclaim-
24 ing the eligible land under this section.”.

1 **SEC. 318. EXTENSION OF LIMITATION ON APPLICATION OF**
2 **PROHIBITION ON ISSUANCE OF PERMIT.**

3 Section 510(e) of the Surface Mining Control and
4 Reclamation Act of 1977 (30 U.S.C. 1260(e)) is amended
5 by striking the last sentence.

6 **SEC. 319. TRIBAL REGULATION OF SURFACE COAL MINING**
7 **AND RECLAMATION OPERATIONS.**

8 (a) IN GENERAL.—Section 710 of the Surface Min-
9 ing Control and Reclamation Act of 1977 (30 U.S.C.
10 1300) is amended by adding at the end the following:

11 “(j) TRIBAL REGULATORY AUTHORITY.—

12 “(1) TRIBAL REGULATORY PROGRAMS.—

13 “(A) IN GENERAL.—Notwithstanding any
14 other provision of law, an Indian tribe may
15 apply for, and obtain the approval of, a tribal
16 program under section 503 regulating in whole
17 or in part surface coal mining and reclamation
18 operations on reservation land under the juris-
19 diction of the Indian tribe using the procedures
20 of section 504(e).

21 “(B) REFERENCES TO STATE.—For pur-
22 poses of this subsection and the implementation
23 and administration of a tribal program under
24 title V, any reference to a ‘State’ in this Act
25 shall be considered to be a reference to a ‘tribe’.

26 “(2) CONFLICTS OF INTEREST.—

1 “(A) IN GENERAL.—The fact that an indi-
2 vidual is a member of an Indian tribe does not
3 in itself constitute a violation of section 201(f).

4 “(B) EMPLOYEES OF TRIBAL REGULATORY
5 AUTHORITY.—Any employee of a tribal regu-
6 latory authority shall not be eligible for a per
7 capita distribution of any proceeds from coal
8 mining operations conducted on Indian reserva-
9 tion lands under this Act.

10 “(3) SOVEREIGN IMMUNITY.—To receive pri-
11 mary regulatory authority under section 504(e), an
12 Indian tribe shall waive sovereign immunity for pur-
13 poses of section 520 and paragraph (4).

14 “(4) JUDICIAL REVIEW.—

15 “(A) CIVIL ACTIONS.—

16 “(i) IN GENERAL.—After exhausting
17 all tribal remedies with respect to a civil
18 action arising under a tribal program ap-
19 proved under section 504(e), an interested
20 party may file a petition for judicial review
21 of the civil action in the United States cir-
22 cuit court for the circuit in which the sur-
23 face coal mining operation named in the
24 petition is located.

25 “(ii) SCOPE OF REVIEW.—

1 “(I) QUESTIONS OF LAW.—The
2 United States circuit court shall re-
3 view de novo any questions of law
4 under clause (i).

5 “(II) FINDINGS OF FACT.—The
6 United States circuit court shall re-
7 view findings of fact under clause (i)
8 using a clearly erroneous standard.

9 “(B) CRIMINAL ACTIONS.—Any criminal
10 action brought under section 518 with respect
11 to surface coal mining or reclamation oper-
12 ations on Indian reservation lands shall be
13 brought in—

14 “(i) the United States District Court
15 for the District of Columbia; or

16 “(ii) the United States district court
17 in which the criminal activity is alleged to
18 have occurred.

19 “(5) GRANTS.—

20 “(A) IN GENERAL.—Except as provided in
21 subparagraph (B), grants for developing, ad-
22 ministering, and enforcing tribal programs ap-
23 proved in accordance with section 504(e) shall
24 be provided to an Indian tribe in accordance
25 with section 705.

1 “(B) EXCEPTION.—Notwithstanding sub-
 2 paragraph (A), the Federal share of the costs
 3 of developing, administering, and enforcing an
 4 approved tribal program shall be 100 percent.

5 “(6) REPORT.—Not later than 18 months after
 6 the date on which a tribal program is approved
 7 under subsection (e) of section 504, the Secretary
 8 shall submit to the appropriate committees of Con-
 9 gress a report, developed in cooperation with the ap-
 10 plicable Indian tribe, on the tribal program that in-
 11 cludes a recommendation of the Secretary on wheth-
 12 er primary regulatory authority under that sub-
 13 section should be expanded to include additional In-
 14 dian lands.”.

15 (b) CONFORMING AMENDMENT.—Section 710(i) of
 16 the Surface Mining Control and Reclamation Act of 1977
 17 (30 U.S.C. 1300(i)) is amended in the first sentence by
 18 striking “, except” and all that follows through “section
 19 503”.

20 **Subtitle B—Coal Industry Retiree**
 21 **Health Benefit Act**

22 **SEC. 321. CERTAIN RELATED PERSONS AND SUCCESSORS**
 23 **IN INTEREST RELIEVED OF LIABILITY IF PRE-**
 24 **MIUMS PREPAID.**

25 (a) COMBINED BENEFIT FUND.—

1 (1) IN GENERAL.—Section 9704 of the Internal
2 Revenue Code of 1986 (relating to liability of as-
3 signed operators) is amended by adding at the end
4 the following new subsection:

5 “(j) PREPAYMENT OF PREMIUM LIABILITY.—

6 “(1) IN GENERAL.—If—

7 “(A) a payment meeting the requirements
8 of paragraph (3) is made to the Combined
9 Fund by or on behalf of—

10 “(i) any assigned operator to which
11 this subsection applies, or

12 “(ii) any related person to any as-
13 signed operator described in clause (i), and

14 “(B) the common parent of the controlled
15 group of corporations described in paragraph
16 (2)(B) is jointly and severally liable for any pre-
17 mium under this section which (but for this
18 subsection) would be required to be paid by the
19 assigned operator or related person,

20 then such common parent (and no other person)
21 shall be liable for such premium.

22 “(2) ASSIGNED OPERATORS TO WHICH SUB-
23 SECTION APPLIES.—

24 “(A) IN GENERAL.—This subsection shall
25 apply to any assigned operator if—

1 “(i) the assigned operator (or a re-
2 lated person to the assigned operator)—

3 “(I) made contributions to the
4 1950 UMWA Benefit Plan and the
5 1974 UMWA Benefit Plan for em-
6 ployment during the period covered by
7 the 1988 agreement; and

8 “(II) is not a 1988 agreement
9 operator,

10 “(ii) the assigned operator (and all re-
11 lated persons to the assigned operator) are
12 not actively engaged in the production of
13 coal as of July 1, 2005, and

14 “(iii) the assigned operator was, as of
15 July 20, 1992, a member of a controlled
16 group of corporations described in sub-
17 paragraph (B).

18 “(B) CONTROLLED GROUP OF CORPORA-
19 TIONS.—A controlled group of corporations is
20 described in this subparagraph if the common
21 parent of such group is a corporation the shares
22 of which are publicly traded on a United States
23 exchange.

24 “(C) COORDINATION WITH REPEAL OF AS-
25 SIGNMENTS.—A person shall not fail to be

1 treated as an assigned operator to which this
2 subsection applies solely because the person
3 ceases to be an assigned operator by reason of
4 section 9706(h)(1) if the person otherwise
5 meets the requirements of this subsection and
6 is liable for the payment of premiums under
7 section 9706(h)(3).

8 “(D) CONTROLLED GROUP.—For purposes
9 of this subsection, the term ‘controlled group of
10 corporations’ has the meaning given such term
11 by section 52(a).

12 “(3) REQUIREMENTS.—A payment meets the
13 requirements of this paragraph if—

14 “(A) the amount of the payment is not less
15 than the present value of the total premium li-
16 ability under this chapter with respect to the
17 Combined Fund of the assigned operators or re-
18 lated persons described in paragraph (1) or
19 their assignees, as determined by the operator’s
20 or related person’s enrolled actuary (as defined
21 in section 7701(a)(35)) using actuarial methods
22 and assumptions each of which is reasonable
23 and which are reasonable in the aggregate, as
24 determined by such enrolled actuary;

1 “(B) such enrolled actuary files with the
2 Secretary of Labor a signed actuarial report
3 containing—

4 “(i) the date of the actuarial valuation
5 applicable to the report; and

6 “(ii) a statement by the enrolled actu-
7 ary signing the report that, to the best of
8 the actuary’s knowledge, the report is com-
9 plete and accurate and that in the actu-
10 ary’s opinion the actuarial assumptions
11 used are in the aggregate reasonably re-
12 lated to the experience of the operator and
13 to reasonable expectations; and

14 “(C) 90 calendar days have elapsed after
15 the report required by subparagraph (B) is filed
16 with the Secretary of Labor, and the Secretary
17 of Labor has not notified the assigned operator
18 in writing that the requirements of this para-
19 graph have not been satisfied.

20 “(4) USE OF PREPAYMENT.—The Combined
21 Fund shall—

22 “(A) establish and maintain an account for
23 each assigned operator or related person by, or
24 on whose behalf, a payment described in para-
25 graph (3) was made,

1 “(B) credit such account with such pay-
2 ment (and any earnings thereon), and

3 “(C) use all amounts in such account ex-
4 clusively to pay premiums that would (but for
5 this subsection) be required to be paid by the
6 assigned operator.

7 Upon termination of the obligations for the premium
8 liability of any assigned operator or related person
9 for which such account is maintained, all funds re-
10 maining in such account (and earnings thereon)
11 shall be refunded to such person as may be des-
12 ignated by the common parent described in para-
13 graph (1)(B).”.

14 (b) INDIVIDUAL EMPLOYER PLANS.—Section
15 9711(c) of the Internal Revenue Code of 1986 (relating
16 to joint and several liability) is amended to read as follows:

17 “(c) JOINT AND SEVERAL LIABILITY OF RELATED
18 PERSONS.—

19 “(1) IN GENERAL.—Except as provided in para-
20 graph (2), each related person of a last signatory op-
21 erator to which subsection (a) or (b) applies shall be
22 jointly and severally liable with the last signatory op-
23 erator for the provision of health care coverage de-
24 scribed in subsection (a) or (b).

1 “(2) LIABILITY LIMITED IF SECURITY PRO-
2 VIDED.—If—

3 “(A) security meeting the requirements of
4 paragraph (3) is provided by or on behalf of—

5 “(i) any last signatory operator which
6 is an assigned operator described in section
7 9704(j)(2), or

8 “(ii) any related person to any last
9 signatory operator described in clause (i),
10 and

11 “(B) the common parent of the controlled
12 group of corporations described in section
13 9704(j)(2)(B) is jointly and severally liable for
14 the provision of health care under this section
15 which, but for this paragraph, would be re-
16 quired to be provided by the last signatory op-
17 erator or related person,

18 then, as of the date the security is provided, such
19 common parent (and no other person) shall be liable
20 for the provision of health care under this section
21 which the last signatory operator or related person
22 would otherwise be required to provide. Security may
23 be provided under this paragraph without regard to
24 whether a payment was made under section 9704(j).

1 “(3) SECURITY.—Security meets the require-
2 ments of this paragraph if—

3 “(A) the security—

4 “(i) is in the form of a bond, letter of
5 credit, or cash escrow,

6 “(ii) is provided to the trustees of the
7 1992 UMWA Benefit Plan solely for the
8 purpose of paying premiums for bene-
9 ficiaries who would be described in section
10 9712(b)(2)(B) if the requirements of this
11 section were not met by the last signatory
12 operator, and

13 “(iii) is in an amount equal to 1 year
14 of liability of the last signatory operator
15 under this section, determined by using the
16 average cost of such operator’s liability
17 during the prior 3 calendar years;

18 “(B) the security is in addition to any
19 other security required under any other provi-
20 sion of this title; and

21 “(C) the security remains in place for 5
22 years.

23 “(4) REFUNDS OF SECURITY.—The remaining
24 amount of any security provided under this sub-

1 section (and earnings thereon) shall be refunded to
2 the last signatory operator as of the earlier of—

3 “(A) the termination of the obligations of
4 the last signatory operator under this section,
5 or

6 “(B) the end of the 5-year period described
7 in paragraph (4)(C).”.

8 (c) 1992 UMWA BENEFIT PLAN.—Section
9 9712(d)(4) of the Internal Revenue Code of 1986 (relating
10 to joint and several liability) is amended by adding at the
11 end the following new sentence: “The provisions of section
12 9711(c)(2) shall apply to any last signatory operator de-
13 scribed in such section (without regard to whether security
14 is provided under such section, a payment is made under
15 section 9704(j), or both) and if security meeting the re-
16 quirements of section 9711(c)(3) is provided, the common
17 parent described in section 9711(c)(2)(B) shall be exclu-
18 sively responsible for any liability for premiums under this
19 section which, but for this sentence, would be required to
20 be paid by the last signatory operator or any related per-
21 son.”.

22 (d) SUCCESSOR IN INTEREST.—Section 9701(c) of
23 the Internal Revenue Code of 1986 (relating to terms re-
24 lating to operators) is amended by adding at the end the
25 following new paragraph:

1 “(8) SUCCESSOR IN INTEREST.—

2 “(A) SAFE HARBOR.—The term ‘successor
3 in interest’ shall not include any person who—

4 “(i) is an unrelated person to an eligi-
5 ble seller described in subparagraph (C);
6 and

7 “(ii) purchases for fair market value
8 assets, or all of the stock, of a related per-
9 son to such seller, in a bona fide, arm’s-
10 length sale.

11 “(B) UNRELATED PERSON.—The term
12 ‘unrelated person’ means a purchaser who does
13 not bear a relationship to the eligible seller de-
14 scribed in section 267(b).

15 “(C) ELIGIBLE SELLER.—For purposes of
16 this paragraph, the term ‘eligible seller’ means
17 an assigned operator described in section
18 9704(j)(2) or a related person to such assigned
19 operator.”.

20 (e) EFFECTIVE DATE.—The amendments made by
21 this section shall take effect on the date of the enactment
22 of this Act, except that the amendment made by sub-
23 section (d) shall apply to transactions after the date of
24 the enactment of this Act.

1 **SEC. 322. TRANSFERS TO FUNDS; PREMIUM RELIEF.**

2 (a) COMBINED FUND.—

3 (1) FEDERAL TRANSFERS.—Section 9705(b) of
4 the Internal Revenue Code of 1986 (relating to
5 transfers from Abandoned Mine Reclamation Fund)
6 is amended—

7 (A) in paragraph (1), by striking “section
8 402(h)” and inserting “subsections (h) and (i)
9 of section 402”;

10 (B) by striking paragraph (2) and insert-
11 ing the following new paragraph:

12 “(2) USE OF FUNDS.—Any amount transferred
13 under paragraph (1) for any fiscal year shall be used
14 to pay benefits and administrative costs of bene-
15 ficiaries of the Combined Fund or for such other
16 purposes as are specifically provided in the Acts de-
17 scribed in paragraph (1).”; and

18 (C) by striking “FROM ABANDONED MINE
19 RECLAMATION FUND”.

20 (2) MODIFICATIONS OF PREMIUMS TO REFLECT
21 FEDERAL TRANSFERS.—

22 (A) ELIMINATION OF UNASSIGNED BENE-
23 FICIARIES PREMIUM.—Section 9704(d) of such
24 Code (establishing unassigned beneficiaries pre-
25 mium) is amended to read as follows:

26 “(d) UNASSIGNED BENEFICIARIES PREMIUM.—

1 “(1) PLAN YEARS ENDING ON OR BEFORE SEP-
2 TEMBER 30, 2006.—For plan years ending on or be-
3 fore September 30, 2006, the unassigned bene-
4 ficiaries premium for any assigned operator shall be
5 equal to the applicable percentage of the product of
6 the per beneficiary premium for the plan year multi-
7 plied by the number of eligible beneficiaries who are
8 not assigned under section 9706 to any person for
9 such plan year.

10 “(2) PLAN YEARS BEGINNING ON OR AFTER OC-
11 TOBER 1, 2006.—

12 “(A) IN GENERAL.—For plan years begin-
13 ning on or after October 1, 2006, subject to
14 subparagraph (B), there shall be no unassigned
15 beneficiaries premium, and benefit costs with
16 respect to eligible beneficiaries who are not as-
17 signed under section 9706 to any person for
18 any such plan year shall be paid from amounts
19 transferred under section 9705(b).

20 “(B) INADEQUATE TRANSFERS.—If, for
21 any plan year beginning on or after October 1,
22 2006, the amounts transferred under section
23 9705(b) are less than the amounts required to
24 be transferred to the Combined Fund under
25 subsection (h)(2)(A) or (i) of section 402 of the

1 Surface Mining Control and Reclamation Act of
2 1977 (30 U.S.C. 1232)), then the unassigned
3 beneficiaries premium for any assigned operator
4 shall be equal to the operator's applicable per-
5 centage of the amount required to be so trans-
6 ferred which was not so transferred.”.

7 (B) PREMIUM ACCOUNTS.—

8 (i) CREDITING OF ACCOUNTS.—Sec-
9 tion 9704(e)(1) of such Code (relating to
10 premium accounts; adjustments) is amend-
11 ed by inserting “and amounts transferred
12 under section 9705(b)” after “premiums
13 received”.

14 (ii) SURPLUSES ATTRIBUTABLE TO
15 PUBLIC FUNDING.—Section 9704(e)(3)(A)
16 of such Code is amended by adding at the
17 end the following new sentence: “Amounts
18 credited to an account from amounts
19 transferred under section 9705(b) shall not
20 be taken into account in determining
21 whether there is a surplus in the account
22 for purposes of this paragraph.”

23 (C) APPLICABLE PERCENTAGE.—Section
24 9704(f)(2) of such Code (relating to annual ad-

1 justments) is amended by adding at the end the
2 following new subparagraph:

3 “(C) In the case of plan years beginning
4 on or after October 1, 2007, the total number
5 of assigned eligible beneficiaries shall be re-
6 duced by the eligible beneficiaries whose assign-
7 ments have been revoked under section
8 9706(h).”.

9 (3) ASSIGNMENTS AND REASSIGNMENT.—Sec-
10 tion 9706 of the Internal Revenue Code of 1986 (re-
11 lating to assignment of eligible beneficiaries) is
12 amended by adding at the end the following:

13 “(h) ASSIGNMENTS AS OF OCTOBER 1, 2007.—

14 “(1) IN GENERAL.—Subject to the premium ob-
15 ligation set forth in paragraph (3), the Commis-
16 sioner of Social Security shall—

17 “(A) revoke all assignments to persons
18 other than 1988 agreement operators for pur-
19 poses of assessing premiums for plan years be-
20 ginning on and after October 1, 2007; and

21 “(B) make no further assignments to per-
22 sons other than 1988 agreement operators, ex-
23 cept that no individual who becomes an unas-
24 signed beneficiary by reason of subparagraph

1 (A) may be assigned to a 1988 agreement oper-
2 ator.

3 “(2) REASSIGNMENT UPON PURCHASE.—This
4 subsection shall not be construed to prohibit the re-
5 assignment under subsection (b)(2) of an eligible
6 beneficiary.

7 “(3) LIABILITY OF PERSONS DURING THREE
8 FISCAL YEARS BEGINNING ON AND AFTER OCTOBER
9 1, 2007.—In the case of each of the fiscal years be-
10 ginning on October 1, 2007, 2008, and 2009, each
11 person other than a 1988 agreement operator shall
12 pay to the Combined Fund the following percentage
13 of the amount of annual premiums that such person
14 would otherwise be required to pay under section
15 9704(a), determined on the basis of assignments in
16 effect without regard to the revocation of assign-
17 ments under paragraph (1)(A):

18 “(A) For the fiscal year beginning on Oc-
19 tober 1, 2007, 55 percent.

20 “(B) For the fiscal year beginning on Oc-
21 tober 1, 2008, 40 percent.

22 “(C) For the fiscal year beginning on Oc-
23 tober 1, 2009, 15 percent.”.

24 (4) EFFECTIVE DATE.—The amendments made
25 by this subsection shall apply to plan years of the

1 Combined Fund beginning after September 30,
2 2006.

3 (b) 1992 UMWA BENEFIT AND OTHER PLANS.—

4 (1) TRANSFERS TO PLANS.—Section 9712(a) of
5 the Internal Revenue Code of 1986 (relating to the
6 establishment and coverage of the 1992 UMWA
7 Benefit Plan) is amended by adding at the end the
8 following:

9 “(3) TRANSFERS UNDER OTHER FEDERAL
10 STATUTES.—

11 “(A) IN GENERAL.—The 1992 UMWA
12 Benefit Plan shall include any amount trans-
13 ferred to the plan under subsections (h) and (i)
14 of section 402 of the Surface Mining Control
15 and Reclamation Act of 1977 (30 U.S.C. 1232).

16 “(B) USE OF FUNDS.—Any amount trans-
17 ferred under subparagraph (A) for any fiscal
18 year shall be used to provide the health benefits
19 described in subsection (c) with respect to any
20 beneficiary for whom no monthly per bene-
21 ficiary premium is paid pursuant to paragraph
22 (1)(A) or (3) of subsection (d).

23 “(4) SPECIAL RULE FOR 1993 PLAN.—

24 “(A) IN GENERAL.—The plan described in
25 section 402(h)(2)(C) of the Surface Mining

1 Control and Reclamation Act of 1977 (30
2 U.S.C. 1232(h)(2)(C)) shall include any
3 amount transferred to the plan under sub-
4 sections (h) and (i) of the Surface Mining Con-
5 trol and Reclamation Act of 1977 (30 U.S.C.
6 1232).

7 “(B) USE OF FUNDS.—Any amount trans-
8 ferred under subparagraph (A) for any fiscal
9 year shall be used to provide the health benefits
10 described in section 402(h)(2)(C)(i) of the Sur-
11 face Mining Control and Reclamation Act of
12 1977 (30 U.S.C. 1232(h)(2)(C)(i)) to individ-
13 uals described in section 402(h)(2)(C) of such
14 Act (30 U.S.C. 1232(h)(2)(C)).”.

15 (2) PREMIUM ADJUSTMENTS.—

16 (A) IN GENERAL.—Section 9712(d)(1) of
17 such Code (relating to guarantee of benefits) is
18 amended to read as follows:

19 “(1) IN GENERAL.—All 1988 last signatory op-
20 erators shall be responsible for financing the benefits
21 described in subsection (c) by meeting the following
22 requirements in accordance with the contribution re-
23 quirements established in the 1992 UMWA Benefit
24 Plan:

1 “(A) The payment of a monthly per bene-
2 ficiary premium by each 1988 last signatory op-
3 erator for each eligible beneficiary of such oper-
4 ator who is described in subsection (b)(2) and
5 who is receiving benefits under the 1992
6 UMWA benefit plan.

7 “(B) The provision of a security (in the
8 form of a bond, letter of credit, or cash escrow)
9 in an amount equal to a portion of the pro-
10 jected future cost to the 1992 UMWA Benefit
11 Plan of providing health benefits for eligible
12 and potentially eligible beneficiaries attributable
13 to the 1988 last signatory operator.

14 “(C) If the amounts transferred under
15 subsection (a)(3) are less than the amounts re-
16 quired to be transferred to the 1992 UMWA
17 Benefit Plan under subsections (h) and (i) of
18 section 402 of the Surface Mining Control and
19 Reclamation Act of 1977 (30 U.S.C. 1232), the
20 payment of an additional backstop premium by
21 each 1988 last signatory operator which is
22 equal to such operator’s share of the amounts
23 required to be so transferred but which were
24 not so transferred, determined on the basis of

1 the number of eligible and potentially eligible
2 beneficiaries attributable to the operator.”.

3 (B) CONFORMING AMENDMENTS.—Section
4 9712(d) of such Code is amended—

5 (i) in paragraph (2)(B), by striking
6 “prefunding” and inserting “backstop”,
7 and

8 (ii) in paragraph (3), by striking
9 “paragraph (1)(B)” and inserting “para-
10 graph (1) (A)”.

11 (C) EFFECTIVE DATE.—The amendments
12 made by this paragraph shall apply to fiscal
13 years beginning on or after October 1, 2010.

14 **SEC. 323. OTHER PROVISIONS.**

15 (a) BOARD OF TRUSTEES.—Section 9702(b) of the
16 Internal Revenue Code of 1986 (relating to board of trust-
17 ees of the Combined Fund) is amended to read as follows:

18 “(b) BOARD OF TRUSTEES.—

19 “(1) IN GENERAL.—For purposes of subsection
20 (a), the board of trustees for the Combined Fund
21 shall be appointed as follows:

22 “(A) 2 individuals who represent employers
23 in the coal mining industry shall be designated
24 by the BCOA;

1 “(B) 2 individuals designated by the
2 United Mine Workers of America; and

3 “(C) 3 individuals selected by the individ-
4 uals appointed under subparagraphs (A) and
5 (B).

6 “(2) SUCCESSOR TRUSTEES.—Any successor
7 trustee shall be appointed in the same manner as
8 the trustee being succeeded. The plan establishing
9 the Combined Fund shall provide for the removal of
10 trustees.

11 “(3) SPECIAL RULE.—If the BCOA ceases to
12 exist, any trustee or successor under paragraph
13 (1)(A) shall be designated by the 3 employers who
14 were members of the BCOA on the enactment date
15 and who have been assigned the greatest number of
16 eligible beneficiaries under section 9706.”.

17 (b) ENFORCEMENT OF OBLIGATIONS.—

18 (1) FAILURE TO PAY PREMIUMS.—Section
19 9707(a) of the Internal Revenue Code of 1986 is
20 amended to read as follows:

21 “(a) FAILURES TO PAY.—

22 “(1) PREMIUMS FOR ELIGIBLE BENE-
23 FICIARIES.—There is hereby imposed a penalty on
24 the failure of any assigned operator to pay any pre-

1 mium required to be paid under section 9704 with
2 respect to any eligible beneficiary.

3 “(2) CONTRIBUTIONS REQUIRED UNDER THE
4 MINING LAWS.—There is hereby imposed a penalty
5 on the failure of any person to make a contribution
6 required under section 402(h)(5)(B)(ii) of the Sur-
7 face Mining Control and Reclamation Act of 1977 to
8 a plan referred to in section 402(h)(2)(C) of such
9 Act. For purposes of applying this section, each such
10 required monthly contribution for the hours worked
11 of any individual shall be treated as if it were a pre-
12 mium required to be paid under section 9704 with
13 respect to an eligible beneficiary.”

14 (2) CIVIL ENFORCEMENT.—Section 9721 of
15 such Code is amended to read as follows:

16 **“SEC. 9721. CIVIL ENFORCEMENT.**

17 “The provisions of section 4301 of the Employee Re-
18 tirement Income Security Act of 1974 shall apply, in the
19 same manner as any claim arising out of an obligation
20 to pay withdrawal liability under subtitle E of title IV of
21 such Act, to any claim—

22 “(1) arising out of an obligation to pay any
23 amount required to be paid by this chapter; or

24 “(2) arising out of an obligation to pay any
25 amount required by section 402(h)(5)(B)(ii) of the

1 Surface Mining Control and Reclamation Act of
2 1977 (30 U.S.C. 1232(h)(5)(B)(ii)).”.

3 **TITLE IV—INCREASE IN**
4 **MINIMUM WAGE**

5 **SEC. 401. MINIMUM WAGE.**

6 Section 6(a)(1) of the Fair Labor Standards Act of
7 1938 (29 U.S.C. 206(a)(1)) is amended to read as follows:

8 “(1) except as otherwise provided in this sec-
9 tion, not less than—

10 “(A) \$5.15 an hour beginning September
11 1, 1997;

12 “(B) \$5.85 an hour, beginning on January
13 1, 2007;

14 “(C) \$6.55 an hour, beginning June 1,
15 2008; and

16 “(D) \$7.25 an hour, beginning June 1,
17 2009;”.

18 **SEC. 402. TIPPED WAGE FAIRNESS.**

19 Section 3(m) of the Fair Labor Standards Act of
20 1938 (29 U.S.C. 203(m)) is amended—

21 (1) by redesignating paragraphs (1) and (2) as
22 subparagraphs (A) and (B), respectively;

23 (2) by striking “‘Wage’ paid to any employee”
24 and inserting “(1) ‘Wage’ paid to any employee”;

1 (3) in subparagraph (B) (as so redesignated),
2 by inserting before the period the following: “: Pro-
3 vided, That the tips shall not be included as part of
4 the wage paid to an employee to the extent that they
5 are excluded therefrom under the terms of a bona
6 fide collective bargaining agreement applicable to the
7 particular employee”; and

8 (4) by adding at the end of the following:

9 “(2) Notwithstanding any other provision of this Act,
10 any State or political subdivision of a State which on or
11 after the date of enactment of the Estate Tax and Exten-
12 sion of Tax Relief Act of 2006 excludes all of a tipped
13 employee’s tips from being considered as wages in deter-
14 mining if such tipped employee has been paid the applica-
15 ble minimum wage rate, may not establish or enforce the
16 minimum wage rate provisions of such law, ordinance, reg-
17 ulation, or order in such State or political subdivision
18 thereof with respect to tipped employees unless such law,
19 ordinance, regulation, or order is revised or amended to
20 permit such employee to be paid a wage by the employee’s
21 employer in an amount not less than an amount equal
22 to—

23 “(A) the cash wage paid such employee which
24 is required under such law, ordinance, regulation, or

1 order on the date of enactment of the Estate Tax
2 and Extension of Tax Relief Act of 2006; and

3 “(B) an additional amount on account of tips
4 received by such employee which amount is equal to
5 the difference between the cash wage described in
6 subparagraph (A) and the minimum wage rate in ef-
7 fect under such law, ordinance, regulation, or order,
8 or the minimum wage rate in effect under section
9 6(a), whichever is higher.”.

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