

PROVIDING FOR CONSIDERATION OF THE SENATE AMENDMENT TO THE  
BILL (H.R. 4213) TO AMEND THE INTERNAL REVENUE CODE OF 1986 TO  
EXTEND CERTAIN EXPIRING PROVISIONS, AND FOR OTHER PURPOSES

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MAY 26, 2010.—Referred to the House Calendar and ordered to be printed

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Mr. HASTINGS of Florida, from the Committee on Rules,  
submitted the following

R E P O R T

[To accompany H. Res. 1403]

The Committee on Rules, having had under consideration House Resolution 1403, by a nonrecord vote, report the same to the House with the recommendation that the resolution be adopted.

SUMMARY OF PROVISIONS OF THE RESOLUTION

The resolution provides for the consideration of the Senate amendment to H.R. 4213, to amend the Internal Revenue Code of 1986 to extend certain expiring provisions, and for other purposes. The resolution makes in order a motion offered by the chair of the Committee on Ways and Means or his designee that the House concur in the Senate amendment to H.R. 4213 with the amendment printed in part A of this report, modified by the amendment printed in part B. The resolution provides one hour of debate on the motion equally divided and controlled by the chair and ranking minority member of the Committee on Ways and Means. The resolution waives all points of order against consideration of the motion. The resolution provides that the Senate amendment and the motion shall be considered as read. The rule tables House Resolution 1392.

EXPLANATION OF WAIVERS

The waiver of all points of order against consideration of the motion includes a waiver of clause 10 of rule XXI (PAYGO). The House amendment, as amended, complies with all statutory PAYGO requirements.

COMMITTEE VOTES

The results of each record vote on an amendment or motion to report, together with the names of those voting for and against, are printed below:

*Rules Committee record vote No. 423*

Date: May 26, 2010.

Measure: Senate amendment to H.R. 4213.

Motion by: Mr. Dreier.

Summary of motion: To make in order and provide appropriate waivers for an amendment by Rep. Brady (TX), #4, which would exempt real estate from changes in taxation of carried interest.

Results: Defeated 3–8.

Vote by Members: McGovern—Nay; Hastings (FL)—Nay; Matsui—Nay; Cardoza—Nay; Arcuri—Nay; Perlmutter—Nay; Pingree—Nay; Dreier—Yea; Sessions—Yea; Foxx—Yea; Slaughter—Nay.

*Rules Committee record vote No. 424*

Date: May 26, 2010.

Measure: Senate amendment to H.R. 4213.

Motion by: Mr. Sessions.

Summary of motion: To make in order and provide appropriate waivers for an amendment by Rep. Brown-Waite (FL), #1, which would strike Section 523 (Medicare Physician Payments) and replace it with a reimbursement increase of 2 percent for every year through 2013. This would be paid for implementing limiting medical liability.

Results: Defeated 3–8, Present—1.

Vote by Members: McGovern—Nay; Hastings (FL)—Nay; Matsui—Nay; Cardoza—Present; Arcuri—Nay; Perlmutter—Nay; Pingree—Nay; Polis—Nay; Dreier—Yea; Sessions—Yea; Foxx—Yea; Slaughter—Nay.

*Rules Committee record vote No. 425*

Date: May 26, 2010.

Measure: Senate amendment to H.R. 4213.

Motion by: Dr. Foxx.

Summary of motion: To make in order and provide appropriate waivers for an amendment by Rep. Brown-Waite (FL), #2, which would strike title IV (revenue provisions) of the bill and use unobligated funds from the American Recovery and Reinvestment Act of 2009 as an offset.

Results: Defeated 3–9.

Vote by Members: McGovern—Nay; Hastings (FL)—Nay; Matsui—Nay; Cardoza—Nay; Arcuri—Nay; Perlmutter—Nay; Pingree—Nay; Polis—Nay; Dreier—Yea; Sessions—Yea; Foxx—Yea; Slaughter—Nay.

*Rules Committee record vote No. 426*

Date: May 26, 2010.

Measure: Senate amendment to H.R. 4213.

Motion by: Dr. Foxx.

Summary of motion: To make in order and provide appropriate waivers for an amendment by Rep. Cassidy (LA), #5, which would require that all revenue from the excise tax on oil production continue to fund strictly the Oil Spill Liability Trust Fund, and may not be used for any other purposes.

Results: Defeated 3–9.

Vote by Members: McGovern—Nay; Hastings (FL)—Nay; Matsui—Nay; Cardoza—Nay; Arcuri—Nay; Perlmutter—Nay; Pingree—Nay; Polis—Nay; Dreier—Yea; Sessions—Yea; Foxx—Yea; Slaughter—Nay.

SUMMARY OF AMENDMENT IN PART A

The House amendment contains provisions to extend American Recovery and Reinvestment Act job programs, provide tax relief to working families, extend business tax credits, provide pension relief, extension of Unemployment Insurance and COBRA, extension of TANF, extension of FMAP and flood insurance, relief for disaster areas, relief for agriculture disaster areas, domestic energy tax provisions, close tax loopholes, and prevent outsourcing.

SUMMARY OF AMENDMENT IN PART B CONSIDERED AS ADOPTED

Drops the amendment to the long title of the bill.

Clarifies the modification on who is a “market participant” for purposes of section 451(i).

Modifies the provision so the deduction is unavailable to a taxpayer for whom a credit for higher education under section 25A (the Hope and Lifetime Learning Credits) would have provided a greater net reduction in tax liability, without regard to any disallowance or reduction in value of the credit as a result of the alternative minimum tax.

Clarifies the exception from the matching rule for shareholder payments for redemptions of securities that are not listed on an established securities market.

Provides that the geographic diversity requirement for special transition rules for pension plans sponsored by certain charities is satisfied if employees are located in at least 20 states.

Provides that disclosure of transaction costs for an investment option may alternatively reference a plan’s allocable share of such costs, that disclosure of investment returns is based on the calendar year to date, and that plan service providers and administrators are treated as complying with the fee disclosure requirements based on a reasonable, good faith interpretation of the provisions until 12 months after final regulations are issued.

Clarifies that the Secretary of the Treasury may add to the types of reorganizations in which the earnings and profits of each party to the reorganization are taken into account in determining dividend treatment.

Increases the Oil Spill Liability Trust Fund financing rate to 34 cents per barrel (rather than 32 cents).

The extension of unemployment compensation benefits under the bill is shortened by one month. Also clarifies that conditions on the receipt of EUC benefits include conditions related to the availability for work, active search for work and refusal to accept work.

Changes the word “household” to “family” to clarify eligibility for subsidized employment positions under the TANF Emergency Fund.

The extension of subsidized COBRA benefits under the bill is shortened by one month.

Clarifies that the policy relating to treatment of voluntary contributions set forth in the Patient Protection and Affordable Care Act applies to increases in the federal medical assistance percent-

age (FMAP) under the American Recovery and Reinvestment Act of 2009.

Replaces section 523 of the bill with an increase in payment rates of 2.2 percent for the rest of 2010 and 1 percent in 2011. Instead of rates returning to present law after 2013, rates would return to present law after 2011.

Deletes the provision pertaining to the Medicare Improvement Fund.

The language would allow State departments of agriculture to use the grant funds to contract with the Farm Service Agency to administer the funds or to use a percentage of the funds to administer the funds from their offices.

Clarifies the definition of the term “settlement agreement” to make clear that any modifications of the agreement by the parties, with the approval of the court, are part of the term settlement agreement.

The provision adds a savings clause to section 614 regarding revisions to the highway funding distribution under Pub. L. No. 111–147, the Hiring Incentives to Restore Employment Act (the “HIRE Act”). The savings clause provides that, with regard to funding based on the Projects of National and Regional Significance program and the National Corridor Infrastructure Improvement program, each State shall receive the greater of the amount that the State received under the HIRE Act or the amount that the State is authorized to receive under this bill. The provision authorizes such sums as may be necessary from the Highway Trust Fund to carry out the provision.

Makes other minor technical drafting changes to the bill.

#### PART A—TEXT OF AMENDMENT

The House concurs in the Senate Amendment to H.R. 4213 with the following amendments:

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

#### **SECTION 1. SHORT TITLE; AMENDMENT OF 1986 CODE; TABLE OF CONTENTS.**

(a) **SHORT TITLE.**—This Act may be cited as the “American Jobs and Closing Tax Loopholes Act of 2010”.

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

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

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

#### TITLE I—INFRASTRUCTURE INCENTIVES

Sec. 101. Extension of Build America Bonds.

Sec. 102. Exempt-facility bonds for sewage and water supply facilities.

Sec. 103. Extension of exemption from alternative minimum tax treatment for certain tax-exempt bonds.

Sec. 104. Extension and additional allocations of recovery zone bond authority.

Sec. 105. Allowance of new markets tax credit against alternative minimum tax.

- Sec. 106. Extension of tax-exempt eligibility for loans guaranteed by Federal home loan banks.
- Sec. 107. Extension of temporary small issuer rules for allocation of tax-exempt interest expense by financial institutions.

#### TITLE II—EXTENSION OF EXPIRING PROVISIONS

##### Subtitle A—Energy

- Sec. 201. Alternative motor vehicle credit for new qualified hybrid motor vehicles other than passenger automobiles and light trucks.
- Sec. 202. Incentives for biodiesel and renewable diesel.
- Sec. 203. Credit for electricity produced at certain open-loop biomass facilities.
- Sec. 204. Extension and modification of credit for steel industry fuel.
- Sec. 205. Credit for producing fuel from coke or coke gas.
- Sec. 206. New energy efficient home credit.
- Sec. 207. Excise tax credits and outlay payments for alternative fuel and alternative fuel mixtures.
- Sec. 208. Special rule for sales or dispositions to implement FERC or State electric restructuring policy for qualified electric utilities.
- Sec. 209. Suspension of limitation on percentage depletion for oil and gas from marginal wells.
- Sec. 210. Direct payment of energy efficient appliances tax credit.
- Sec. 211. Modification of standards for windows, doors, and skylights with respect to the credit for nonbusiness energy property.

##### Subtitle B—Individual Tax Relief

#### PART I—MISCELLANEOUS PROVISIONS

- Sec. 221. Deduction for certain expenses of elementary and secondary school teachers.
- Sec. 222. Additional standard deduction for State and local real property taxes.
- Sec. 223. Deduction of State and local sales taxes.
- Sec. 224. Contributions of capital gain real property made for conservation purposes.
- Sec. 225. Above-the-line deduction for qualified tuition and related expenses.
- Sec. 226. Tax-free distributions from individual retirement plans for charitable purposes.
- Sec. 227. Look-thru of certain regulated investment company stock in determining gross estate of nonresidents.

#### PART II—LOW-INCOME HOUSING CREDITS

- Sec. 231. Election for direct payment of low-income housing credit for 2010.

##### Subtitle C—Business Tax Relief

- Sec. 241. Research credit.
- Sec. 242. Indian employment tax credit.
- Sec. 243. New markets tax credit.
- Sec. 244. Railroad track maintenance credit.
- Sec. 245. Mine rescue team training credit.
- Sec. 246. Employer wage credit for employees who are active duty members of the uniformed services.
- Sec. 247. 5-year depreciation for farming business machinery and equipment.
- Sec. 248. 15-year straight-line cost recovery for qualified leasehold improvements, qualified restaurant buildings and improvements, and qualified retail improvements.
- Sec. 249. 7-year recovery period for motorsports entertainment complexes.
- Sec. 250. Accelerated depreciation for business property on an Indian reservation.
- Sec. 251. Enhanced charitable deduction for contributions of food inventory.
- Sec. 252. Enhanced charitable deduction for contributions of book inventories to public schools.
- Sec. 253. Enhanced charitable deduction for corporate contributions of computer inventory for educational purposes.
- Sec. 254. Election to expense mine safety equipment.
- Sec. 255. Special expensing rules for certain film and television productions.
- Sec. 256. Expensing of environmental remediation costs.
- Sec. 257. Deduction allowable with respect to income attributable to domestic production activities in Puerto Rico.
- Sec. 258. Modification of tax treatment of certain payments to controlling exempt organizations.

- Sec. 259. Exclusion of gain or loss on sale or exchange of certain brownfield sites from unrelated business income.
- Sec. 260. Timber REIT modernization.
- Sec. 261. Treatment of certain dividends of regulated investment companies.
- Sec. 262. RIC qualified investment entity treatment under FIRPTA.
- Sec. 263. Exceptions for active financing income.
- Sec. 264. Look-thru treatment of payments between related controlled foreign corporations under foreign personal holding company rules.
- Sec. 265. Basis adjustment to stock of S corps making charitable contributions of property.
- Sec. 266. Empowerment zone tax incentives.
- Sec. 267. Tax incentives for investment in the District of Columbia.
- Sec. 268. Renewal community tax incentives.
- Sec. 269. Temporary increase in limit on cover over of rum excise taxes to Puerto Rico and the Virgin Islands.
- Sec. 270. Payment to American Samoa in lieu of extension of economic development credit.
- Sec. 271. Election to temporarily utilize unused AMT credits determined by domestic investment.
- Sec. 272. Study of extended tax expenditures.

#### Subtitle D—Temporary Disaster Relief Provisions

##### PART I—NATIONAL DISASTER RELIEF

- Sec. 281. Waiver of certain mortgage revenue bond requirements.
- Sec. 282. Losses attributable to federally declared disasters.
- Sec. 283. Special depreciation allowance for qualified disaster property.
- Sec. 284. Net operating losses attributable to federally declared disasters.
- Sec. 285. Expensing of qualified disaster expenses.

##### PART II—REGIONAL PROVISIONS

###### SUBPART A—NEW YORK LIBERTY ZONE

- Sec. 291. Special depreciation allowance for nonresidential and residential real property.
- Sec. 292. Tax-exempt bond financing.

###### SUBPART B—GO ZONE

- Sec. 295. Increase in rehabilitation credit.
- Sec. 296. Work opportunity tax credit with respect to certain individuals affected by Hurricane Katrina for employers inside disaster areas.
- Sec. 297. Extension of low-income housing credit rules for buildings in GO zones.

##### TITLE III—PENSION PROVISIONS

###### Subtitle A—Pension Funding Relief

###### PART 1—SINGLE-EMPLOYER PLANS

- Sec. 301. Extended period for single-employer defined benefit plans to amortize certain shortfall amortization bases.
- Sec. 302. Application of extended amortization period to plans subject to prior law funding rules.
- Sec. 303. Suspension of certain funding level limitations.
- Sec. 304. Lookback for credit balance rule.
- Sec. 305. Information reporting.
- Sec. 306. Rollover of amounts received in airline carrier bankruptcy.

###### PART 2—MULTIEMPLOYER PLANS

- Sec. 311. Optional use of 30-year amortization periods.
- Sec. 312. Optional longer recovery periods for multiemployer plans in endangered or critical status.
- Sec. 313. Modification of certain amortization extensions under prior law.
- Sec. 314. Alternative default schedule for plans in endangered or critical status.
- Sec. 315. Transition rule for certifications of plan status.

###### Subtitle B—Fee Disclosure

- Sec. 321. Short title of subtitle.
- Sec. 322. Amendments to the Employee Retirement Income Security Act of 1974.
- Sec. 323. Amendments to the Internal Revenue Code of 1986.

- Sec. 324. Regulatory authority and coordination.  
 Sec. 325. Effective date of subtitle.

#### TITLE IV—REVENUE OFFSETS

##### Subtitle A—Foreign Provisions

- Sec. 401. Rules to prevent splitting foreign tax credits from the income to which they relate.  
 Sec. 402. Denial of foreign tax credit with respect to foreign income not subject to United States taxation by reason of covered asset acquisitions.  
 Sec. 403. Separate application of foreign tax credit limitation, etc., to items resourced under treaties.  
 Sec. 404. Limitation on the amount of foreign taxes deemed paid with respect to section 956 inclusions.  
 Sec. 405. Special rule with respect to certain redemptions by foreign subsidiaries.  
 Sec. 406. Modification of affiliation rules for purposes of rules allocating interest expense.  
 Sec. 407. Termination of special rules for interest and dividends received from persons meeting the 80-percent foreign business requirements.  
 Sec. 408. Source rules for income on guarantees.  
 Sec. 409. Limitation on extension of statute of limitations for failure to notify Secretary of certain foreign transfers.

##### Subtitle B—Personal Service Income Earned in Pass-thru Entities

- Sec. 411. Partnership interests transferred in connection with performance of services.  
 Sec. 412. Income of partners for performing investment management services treated as ordinary income received for performance of services.  
 Sec. 413. Employment tax treatment of professional service businesses.

##### Subtitle C—Corporate Provisions

- Sec. 421. Treatment of securities of a controlled corporation exchanged for assets in certain reorganizations.  
 Sec. 422. Taxation of boot received in reorganizations.

##### Subtitle D—Other Provisions

- Sec. 431. Modifications with respect to Oil Spill Liability Trust Fund.  
 Sec. 432. Time for payment of corporate estimated taxes.

#### TITLE V—UNEMPLOYMENT, HEALTH, AND OTHER ASSISTANCE

##### Subtitle A—Unemployment Insurance and Other Assistance

- Sec. 501. Extension of unemployment insurance provisions.  
 Sec. 502. Coordination of emergency unemployment compensation with regular compensation.  
 Sec. 503. Extension of the Emergency Contingency Fund.

##### Subtitle B—Health Provisions

- Sec. 511. Extension of premium assistance for COBRA benefits.  
 Sec. 512. Extension of section 508 reclassifications.  
 Sec. 513. Repeal of delay of RUG-IV.  
 Sec. 514. Limitation on reasonable costs payments for certain clinical diagnostic laboratory tests furnished to hospital patients in certain rural areas.  
 Sec. 515. Funding for claims reprocessing.  
 Sec. 516. Extension of ARRA increase in FMAP.  
 Sec. 517. Medicaid and CHIP technical corrections.  
 Sec. 518. Addition of inpatient drug discount program to 340B drug discount program.  
 Sec. 519. Continued inclusion of orphan drugs in definition of covered outpatient drugs with respect to children's hospitals under the 340B drug discount program.  
 Sec. 520. Conforming amendment related to waiver of coinsurance for preventive services.  
 Sec. 521. Establish a CMS–IRS data match to identify fraudulent providers.  
 Sec. 522. Clarification of effective date of part B special enrollment period for disabled TRICARE beneficiaries.  
 Sec. 523. Medicare sustainable growth rate reform.

- Sec. 524. Adjustment to Medicare payment localities.  
 Sec. 525. Clarification of 3-day payment window.

#### TITLE VI—OTHER PROVISIONS

- Sec. 601. Extension of national flood insurance program.  
 Sec. 602. Allocation of geothermal receipts.  
 Sec. 603. Small business loan guarantee enhancement extensions.  
 Sec. 604. Emergency agricultural disaster assistance.  
 Sec. 605. Summer employment for youth.  
 Sec. 606. Housing Trust Fund.  
 Sec. 607. The Individual Indian Money Account Litigation Settlement Act of 2010.  
 Sec. 608. Appropriation of funds for final settlement of claims from *In re Black Farmers Discrimination Litigation*.  
 Sec. 609. Expansion of eligibility for concurrent receipt of military retired pay and veterans' disability compensation to include all chapter 61 disability retirees regardless of disability rating percentage or years of service.  
 Sec. 610. Extension of use of 2009 poverty guidelines.  
 Sec. 611. Refunds disregarded in the administration of Federal programs and federally assisted programs.  
 Sec. 612. State court improvement program.  
 Sec. 613. Qualifying timber contract options.  
 Sec. 614. Extension and flexibility for certain allocated surface transportation programs.  
 Sec. 615. Community College and Career Training Grant Program.  
 Sec. 616. Extensions of duty suspensions on cotton shirting fabrics and related provisions.  
 Sec. 617. Modification of Wool Apparel Manufacturers Trust Fund.  
 Sec. 618. Department of Commerce Study.  
 Sec. 619. ARRA planning and reporting.

#### TITLE VII—BUDGETARY PROVISIONS

- Sec. 701. Budgetary provisions.

## TITLE I—INFRASTRUCTURE INCENTIVES

### SEC. 101. EXTENSION OF BUILD AMERICA BONDS.

(a) **IN GENERAL.**—Subparagraph (B) of section 54AA(d)(1) is amended by striking “January 1, 2011” and inserting “January 1, 2013”.

(b) **EXTENSION OF PAYMENTS TO ISSUERS.**—

(1) **IN GENERAL.**—Section 6431 is amended—

(A) by striking “January 1, 2011” in subsection (a) and inserting “January 1, 2013”, and

(B) by striking “January 1, 2011” in subsection (f)(1)(B) and inserting “a particular date”.

(2) **CONFORMING AMENDMENTS.**—Subsection (g) of section 54AA is amended—

(A) by striking “January 1, 2011” and inserting “January 1, 2013”; and

(B) by striking “QUALIFIED BONDS ISSUED BEFORE 2011” in the heading and inserting “CERTAIN QUALIFIED BONDS”.

(c) **REDUCTION IN PERCENTAGE OF PAYMENTS TO ISSUERS.**—Subsection (b) of section 6431 is amended—

(1) by striking “The Secretary” and inserting the following: “(1) **IN GENERAL.**—The Secretary”;

(2) by striking “35 percent” and inserting “the applicable percentage”; and

(3) by adding at the end the following new paragraph:

“(2) APPLICABLE PERCENTAGE.—For purposes of this subsection, the term ‘applicable percentage’ means the percentage determined in accordance with the following table:

“In the case of a qualified bond issued during calendar year:	The applicable percentage is:
2009 or 2010 .....	35 percent
2011 .....	32 percent
2012 .....	30 percent.”.

(d) CURRENT REFUNDINGS PERMITTED.—Subsection (g) of section 54AA is amended by adding at the end the following new paragraph:

“(3) TREATMENT OF CURRENT REFUNDING BONDS.—

“(A) IN GENERAL.—For purposes of this subsection, the term ‘qualified bond’ includes any bond (or series of bonds) issued to refund a qualified bond if—

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

“(ii) the amount of the refunding bond does not exceed the outstanding amount of the refunded bond, and

“(iii) the refunded bond is redeemed not later than 90 days after the date of the issuance of the refunding bond.

“(B) APPLICABLE PERCENTAGE.—In the case of a refunding bond referred to in subparagraph (A), the applicable percentage with respect to such bond under section 6431(b) shall be the lowest percentage specified in paragraph (2) of such section.

“(C) DETERMINATION OF AVERAGE MATURITY.—For purposes of subparagraph (A)(i), average maturity shall be determined in accordance with section 147(b)(2)(A).”.

(e) CLARIFICATION RELATED TO LEVEES AND FLOOD CONTROL PROJECTS.—Subparagraph (A) of section 54AA(g)(2) is amended by inserting “(including capital expenditures for levees and other flood control projects)” after “capital expenditures”.

**SEC. 102. EXEMPT-FACILITY BONDS FOR SEWAGE AND WATER SUPPLY FACILITIES.**

(a) BONDS FOR WATER AND SEWAGE FACILITIES EXEMPT FROM VOLUME CAP ON PRIVATE ACTIVITY BONDS.—

(1) IN GENERAL.—Paragraph (3) of section 146(g) is amended by inserting “(4), (5),” after “(2),”.

(2) CONFORMING AMENDMENT.—Paragraphs (2) and (3)(B) of section 146(k) are both amended by striking “(4), (5), (6),” and inserting “(6)”.

(b) TAX-EXEMPT ISSUANCE BY INDIAN TRIBAL GOVERNMENTS.—

(1) IN GENERAL.—Subsection (c) of section 7871 is amended by adding at the end the following new paragraph:

“(4) EXCEPTION FOR BONDS FOR WATER AND SEWAGE FACILITIES.—Paragraph (2) shall not apply to an exempt facility bond 95 percent or more of the net proceeds (as defined in section 150(a)(3)) of which are to be used to provide facilities described in paragraph (4) or (5) of section 142(a).”.

(2) CONFORMING AMENDMENT.—Paragraph (2) of section 7871(c) is amended by striking “paragraph (3)” and inserting “paragraphs (3) and (4)”.

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

**SEC. 103. EXTENSION OF EXEMPTION FROM ALTERNATIVE MINIMUM TAX TREATMENT FOR CERTAIN TAX-EXEMPT BONDS.**

(a) IN GENERAL.—Clause (vi) of section 57(a)(5)(C) is amended—

(1) by striking “January 1, 2011” in subclause (I) and inserting “January 1, 2012”; and

(2) by striking “AND 2010” in the heading and inserting “, 2010, AND 2011”.

(b) ADJUSTED CURRENT EARNINGS.—Clause (iv) of section 56(g)(4)(B) is amended—

(1) by striking “January 1, 2011” in subclause (I) and inserting “January 1, 2012”; and

(2) by striking “AND 2010” in the heading and inserting “, 2010, AND 2011”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to obligations issued after December 31, 2010.

**SEC. 104. EXTENSION AND ADDITIONAL ALLOCATIONS OF RECOVERY ZONE BOND AUTHORITY.**

(a) EXTENSION OF RECOVERY ZONE BOND AUTHORITY.—Section 1400U–2(b)(1) and section 1400U–3(b)(1)(B) are each amended by striking “January 1, 2011” and inserting “January 1, 2012”.

(b) ADDITIONAL ALLOCATIONS OF RECOVERY ZONE BOND AUTHORITY BASED ON UNEMPLOYMENT.—Section 1400U–1 is amended by adding at the end the following new subsection:

“(c) ALLOCATION OF 2010 RECOVERY ZONE BOND LIMITATIONS BASED ON UNEMPLOYMENT.—

“(1) IN GENERAL.—The Secretary shall allocate the 2010 national recovery zone economic development bond limitation and the 2010 national recovery zone facility bond limitation among the States in the proportion that each such State’s 2009 unemployment number bears to the aggregate of the 2009 unemployment numbers for all of the States.

“(2) MINIMUM ALLOCATION.—The Secretary shall adjust the allocations under paragraph (1) for each State to the extent necessary to ensure that no State (prior to any reduction under paragraph (3)) receives less than 0.9 percent of the 2010 national recovery zone economic development bond limitation and 0.9 percent of the 2010 national recovery zone facility bond limitation.

“(3) ALLOCATIONS BY STATES.—

“(A) IN GENERAL.—Each State with respect to which an allocation is made under paragraph (1) shall reallocate such allocation among the counties and large municipalities (as defined in subsection (a)(3)(B)) in such State in the proportion that each such county’s or municipality’s 2009

unemployment number bears to the aggregate of the 2009 unemployment numbers for all the counties and large municipalities (as so defined) in such State.

“(B) 2010 ALLOCATION REDUCED BY AMOUNT OF PREVIOUS ALLOCATION.—Each State shall reduce (but not below zero)—

“(i) the amount of the 2010 national recovery zone economic development bond limitation allocated to each county or large municipality (as so defined) in such State by the amount of the national recovery zone economic development bond limitation allocated to such county or large municipality under subsection (a)(3)(A) (determined without regard to any waiver thereof), and

“(ii) the amount of the 2010 national recovery zone facility bond limitation allocated to each county or large municipality (as so defined) in such State by the amount of the national recovery zone facility bond limitation allocated to such county or large municipality under subsection (a)(3)(A) (determined without regard to any waiver thereof).

“(C) WAIVER OF SUBALLOCATIONS.—A county or municipality may waive any portion of an allocation made under this paragraph. A county or municipality shall be treated as having waived any portion of an allocation made under this paragraph which has not been allocated to a bond issued before May 1, 2011. Any allocation waived (or treated as waived) under this subparagraph may be used or reallocated by the State.

“(D) SPECIAL RULE FOR A MUNICIPALITY IN A COUNTY.—

In the case of any large municipality any portion of which is in a county, such portion shall be treated as part of such municipality and not part of such county.

“(4) 2009 UNEMPLOYMENT NUMBER.—For purposes of this subsection, the term ‘2009 unemployment number’ means, with respect to any State, county or municipality, the number of individuals in such State, county, or municipality who were determined to be unemployed by the Bureau of Labor Statistics for December 2009.

“(5) 2010 NATIONAL LIMITATIONS.—

“(A) RECOVERY ZONE ECONOMIC DEVELOPMENT BONDS.—

The 2010 national recovery zone economic development bond limitation is \$10,000,000,000. Any allocation of such limitation under this subsection shall be treated for purposes of section 1400U–2 in the same manner as an allocation of national recovery zone economic development bond limitation.

“(B) RECOVERY ZONE FACILITY BONDS.—The 2010 national recovery zone facility bond limitation is \$15,000,000,000. Any allocation of such limitation under this subsection shall be treated for purposes of section 1400U–3 in the same manner as an allocation of national recovery zone facility bond limitation.”.

(c) AUTHORITY OF STATE TO WAIVE CERTAIN 2009 ALLOCATIONS.—Subparagraph (A) of section 1400U–1(a)(3) is amended by

adding at the end the following: “A county or municipality shall be treated as having waived any portion of an allocation made under this subparagraph which has not been allocated to a bond issued before May 1, 2011. Any allocation waived (or treated as waived) under this subparagraph may be used or reallocated by the State.”.

**SEC. 105. ALLOWANCE OF NEW MARKETS TAX CREDIT AGAINST ALTERNATIVE MINIMUM TAX.**

(a) **IN GENERAL.**—Subparagraph (B) of section 38(c)(4), as amended by the Patient Protection and Affordable Care Act, is amended by redesignating clauses (v) through (ix) as clauses (vi) through (x), respectively, and by inserting after clause (iv) the following new clause:

“(v) the credit determined under section 45D, but only with respect to credits determined with respect to qualified equity investments (as defined in section 45D(b)) initially made before January 1, 2012,”.

(b) **EFFECTIVE DATE.**—The amendments made by this section shall apply to credits determined with respect to qualified equity investments (as defined in section 45D(b) of the Internal Revenue Code of 1986) initially made after March 15, 2010.

**SEC. 106. EXTENSION OF TAX-EXEMPT ELIGIBILITY FOR LOANS GUARANTEED BY FEDERAL HOME LOAN BANKS.**

Clause (iv) of section 149(b)(3)(A) is amended by striking “December 31, 2010” and inserting “December 31, 2011”.

**SEC. 107. EXTENSION OF TEMPORARY SMALL ISSUER RULES FOR ALLOCATION OF TAX-EXEMPT INTEREST EXPENSE BY FINANCIAL INSTITUTIONS.**

(a) **IN GENERAL.**—Clauses (i), (ii), and (iii) of section 265(b)(3)(G) are each amended by striking “or 2010” and inserting “, 2010, or 2011”.

(b) **CONFORMING AMENDMENT.**—Subparagraph (G) of section 265(b)(3) is amended by striking “AND 2010” in the heading and inserting “, 2010, AND 2011”.

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to obligations issued after December 31, 2010.

## **TITLE II—EXTENSION OF EXPIRING PROVISIONS**

### **Subtitle A—Energy**

**SEC. 201. ALTERNATIVE MOTOR VEHICLE CREDIT FOR NEW QUALIFIED HYBRID MOTOR VEHICLES OTHER THAN PASSENGER AUTOMOBILES AND LIGHT TRUCKS.**

(a) **IN GENERAL.**—Paragraph (3) of section 30B(k) is amended by striking “December 31, 2009” and inserting “December 31, 2010”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to property purchased after December 31, 2009.

**SEC. 202. INCENTIVES FOR BIODIESEL AND RENEWABLE DIESEL.**

(a) **CREDITS FOR BIODIESEL AND RENEWABLE DIESEL USED AS FUEL.**—Subsection (g) of section 40A is amended by striking “December 31, 2009” and inserting “December 31, 2010”.

(b) **EXCISE TAX CREDITS AND OUTLAY PAYMENTS FOR BIODIESEL AND RENEWABLE DIESEL FUEL MIXTURES.**—

(1) Paragraph (6) of section 6426(c) is amended by striking “December 31, 2009” and inserting “December 31, 2010”.

(2) Subparagraph (B) of section 6427(e)(6) is amended by striking “December 31, 2009” and inserting “December 31, 2010”.

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to fuel sold or used after December 31, 2009.

**SEC. 203. CREDIT FOR ELECTRICITY PRODUCED AT CERTAIN OPEN-LOOP BIOMASS FACILITIES.**

(a) **IN GENERAL.**—Clause (ii) of section 45(b)(4)(B) is amended—

(1) by striking “5-year period” and inserting “6-year period”, and

(2) by adding at the end the following: “In the case of the last year of the 6-year period described in the preceding sentence, the credit determined under subsection (a) with respect to electricity produced during such year shall not exceed 80 percent of such credit determined without regard to this sentence.”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to electricity produced and sold after December 31, 2009.

**SEC. 204. EXTENSION AND MODIFICATION OF CREDIT FOR STEEL INDUSTRY FUEL.**

(a) **CREDIT PERIOD.**—

(1) **IN GENERAL.**—Subclause (II) of section 45(e)(8)(D)(ii) is amended to read as follows:

“(II) **CREDIT PERIOD.**—In lieu of the 10-year period referred to in clauses (i) and (ii)(II) of subparagraph (A), the credit period shall be the period beginning on the date that the facility first produces steel industry fuel that is sold to an unrelated person after September 30, 2008, and ending 2 years after such date.”.

(2) **CONFORMING AMENDMENT.**—Section 45(e)(8)(D) is amended by striking clause (iii) and by redesignating clause (iv) as clause (iii).

(b) **EXTENSION OF PLACED-IN-SERVICE DATE.**—Subparagraph (A) of section 45(d)(8) is amended—

(1) by striking “(or any modification to a facility)”, and

(2) by striking “2010” and inserting “2011”.

(c) **CLARIFICATIONS.**—

(1) **STEEL INDUSTRY FUEL.**—Subclause (I) of section 45(c)(7)(C)(i) is amended by inserting “, a blend of coal and petroleum coke, or other coke feedstock” after “on coal”.

(2) **OWNERSHIP INTEREST.**—Section 45(d)(8) is amended by adding at the end the following new flush sentence:

“With respect to a facility producing steel industry fuel, no person (including a ground lessor, customer, supplier, or technology licensor) shall be treated as having an ownership interest in the facility or as otherwise entitled to the credit allowable under subsection (a) with respect to such facility if such person’s rent, license fee, or other entitlement to net payments from the owner of such facility is measured by a fixed dollar

amount or a fixed amount per ton, or otherwise determined without regard to the profit or loss of such facility.”.

(3) **PRODUCTION AND SALE.**—Subparagraph (D) of section 45(e)(8), as amended by subsection (a)(2), is amended by redesignating clause (iii) as clause (iv) and by inserting after clause (ii) the following new clause:

“(iii) **PRODUCTION AND SALE.**—The owner of a facility producing steel industry fuel shall be treated as producing and selling steel industry fuel where that owner manufactures such steel industry fuel from coal, a blend of coal and petroleum coke, or other coke feedstock to which it has title. The sale of such steel industry fuel by the owner of the facility to a person who is not the owner of the facility shall not fail to qualify as a sale to an unrelated person solely because such purchaser may also be a ground lessor, supplier, or customer.”.

(d) **SPECIFIED CREDIT FOR PURPOSES OF ALTERNATIVE MINIMUM TAX EXCLUSION.**—Subclause (II) of section 38(c)(4)(B)(iii) is amended by inserting “(in the case of a refined coal production facility producing steel industry fuel, during the credit period set forth in section 45(e)(8)(D)(ii)(II))” after “service”.

(e) **EFFECTIVE DATES.**—

(1) **IN GENERAL.**—The amendments made by subsections (a), (b), and (d) shall take effect on the date of the enactment of this Act.

(2) **CLARIFICATIONS.**—The amendments made by subsection (c) shall take effect as if included in the amendments made by the Energy Improvement and Extension Act of 2008.

**SEC. 205. CREDIT FOR PRODUCING FUEL FROM COKE OR COKE GAS.**

(a) **IN GENERAL.**—Paragraph (1) of section 45K(g) is amended by striking “January 1, 2010” and inserting “January 1, 2011”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to facilities placed in service after December 31, 2009.

**SEC. 206. NEW ENERGY EFFICIENT HOME CREDIT.**

(a) **IN GENERAL.**—Subsection (g) of section 45L is amended by striking “December 31, 2009” and inserting “December 31, 2010”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to homes acquired after December 31, 2009.

**SEC. 207. EXCISE TAX CREDITS AND OUTLAY PAYMENTS FOR ALTERNATIVE FUEL AND ALTERNATIVE FUEL MIXTURES.**

(a) **ALTERNATIVE FUEL CREDIT.**—Paragraph (5) of section 6426(d) is amended by striking “after December 31, 2009” and all that follows and inserting “after—

“(A) September 30, 2014, in the case of liquefied hydrogen,

“(B) December 31, 2010, in the case of fuels described in subparagraph (A), (C), (F), or (G) of paragraph (2), and

“(C) December 31, 2009, in any other case.”.

(b) **ALTERNATIVE FUEL MIXTURE CREDIT.**—Paragraph (3) of section 6426(e) is amended by striking “after December 31, 2009” and all that follows and inserting “after—

“(A) September 30, 2014, in the case of liquefied hydrogen,

“(B) December 31, 2010, in the case of fuels described in subparagraph (A), (C), (F), or (G) of subsection (d)(2), and  
“(C) December 31, 2009, in any other case.”

(c) PAYMENT AUTHORITY.—

(1) IN GENERAL.—Paragraph (6) of section 6427(e) is amended by striking “and” at the end of subparagraph (C), by striking the period at the end of subparagraph (D) and inserting “, and” , and by adding at the end the following new subparagraph:

“(E) any alternative fuel or alternative fuel mixture (as so defined) involving fuel described in subparagraph (A), (C), (F), or (G) of section 6426(d)(2) sold or used after December 31, 2010.”

(2) CONFORMING AMENDMENT.—Subparagraph (C) of section 6427(e)(6) is amended by inserting “or (E)” after “subparagraph (D)”.

(d) EXCLUSION OF BLACK LIQUOR FROM CREDIT ELIGIBILITY.—The last sentence of section 6426(d)(2) is amended by striking “or biodiesel” and inserting “biodiesel, or any fuel (including lignin, wood residues, or spent pulping liquors) derived from the production of paper or pulp”.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to fuel sold or used after December 31, 2009.

**SEC. 208. SPECIAL RULE FOR SALES OR DISPOSITIONS TO IMPLEMENT FERC OR STATE ELECTRIC RESTRUCTURING POLICY FOR QUALIFIED ELECTRIC UTILITIES.**

(a) IN GENERAL.—Paragraph (3) of section 451(i) is amended by striking “January 1, 2010” and inserting “January 1, 2011”.

(b) MODIFICATION OF DEFINITION OF INDEPENDENT TRANSMISSION COMPANY.—

(1) IN GENERAL.—Clause (i) of section 451(i)(4)(B) is amended to read as follows:

“(i) who the Federal Energy Regulatory Commission determines—

“(I) in its authorization of the transaction under section 203 of the Federal Power Act (16 U.S.C. 824b) or by declaratory order is not itself a market participant within the meaning of such Commission’s rules applicable to independent transmission providers and is not controlled by any such market participant,

“(II) to be independent from market participants (within the meaning of such rules), or

“(III) to be an independent transmission company (within the meaning of such rules), and”.

(2) RELATED PERSONS.—Paragraph (4) of section 451(i) is amended by adding at the end the following flush sentence:

“For purposes of subparagraph (B)(i)(I), a person shall be treated as controlled by another person if such persons would be treated as a single employer under section 52.”

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendment made by subsection (a) shall apply to dispositions after December 31, 2009.

(2) MODIFICATIONS.—The amendments made by subsection (b) shall apply to dispositions after the date of the enactment of this Act.

**SEC. 209. SUSPENSION OF LIMITATION ON PERCENTAGE DEPLETION FOR OIL AND GAS FROM MARGINAL WELLS.**

(a) IN GENERAL.—Clause (ii) of section 613A(c)(6)(H) is amended by striking “January 1, 2010” and inserting “January 1, 2011”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2009.

**SEC. 210. DIRECT PAYMENT OF ENERGY EFFICIENT APPLIANCES TAX CREDIT.**

In the case of any taxable year which includes the last day of calendar year 2009 or calendar year 2010, a taxpayer who elects to waive the credit which would otherwise be determined with respect to the taxpayer under section 45M of the Internal Revenue Code of 1986 for such taxable year shall be treated as making a payment against the tax imposed under subtitle A of such Code for such taxable year in an amount equal to 85 percent of the amount of the credit which would otherwise be so determined. Such payment shall be treated as made on the later of the due date of the return of such tax or the date on which such return is filed. Elections under this section may be made separately for 2009 and 2010, but once made shall be irrevocable. No amount shall be includible in gross income or alternative minimum taxable income by reason of this section.

**SEC. 211. MODIFICATION OF STANDARDS FOR WINDOWS, DOORS, AND SKYLIGHTS WITH RESPECT TO THE CREDIT FOR NON-BUSINESS ENERGY PROPERTY.**

(a) IN GENERAL.—Paragraph (4) of section 25C(c) is amended by striking “unless” and all that follows and inserting “unless—

“(A) in the case of any component placed in service after the date which is 90 days after the date of the enactment of the American Jobs and Closing Tax Loopholes Act of 2010, such component meets the criteria for such components established by the 2010 Energy Star Program Requirements for Residential Windows, Doors, and Skylights, Version 5.0 (or any subsequent version of such requirements which is in effect after January 4, 2010),

“(B) in the case of any component placed in service after the date of the enactment of the American Jobs and Closing Tax Loopholes Act of 2010 and on or before the date which is 90 days after such date, such component meets the criteria described in subparagraph (A) or is equal to or below a U factor of 0.30 and SHGC of 0.30, and

“(C) in the case of any component which is a garage door, such component is equal to or below a U factor of 0.30 and SHGC of 0.30.”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to property placed in service after the date of the enactment of this Act.

## **Subtitle B—Individual Tax Relief**

### **PART I—MISCELLANEOUS PROVISIONS**

**SEC. 221. DEDUCTION FOR CERTAIN EXPENSES OF ELEMENTARY AND SECONDARY SCHOOL TEACHERS.**

(a) IN GENERAL.—Subparagraph (D) of section 62(a)(2) is amended by striking “or 2009” and inserting “2009, or 2010”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2009.

**SEC. 222. ADDITIONAL STANDARD DEDUCTION FOR STATE AND LOCAL REAL PROPERTY TAXES.**

(a) IN GENERAL.—Subparagraph (C) of section 63(c)(1) is amended by striking “or 2009” and inserting “2009, or 2010”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2009.

**SEC. 223. DEDUCTION OF STATE AND LOCAL SALES TAXES.**

(a) IN GENERAL.—Subparagraph (I) of section 164(b)(5) is amended by striking “January 1, 2010” and inserting “January 1, 2011”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2009.

**SEC. 224. CONTRIBUTIONS OF CAPITAL GAIN REAL PROPERTY MADE FOR CONSERVATION PURPOSES.**

(a) IN GENERAL.—Clause (vi) of section 170(b)(1)(E) is amended by striking “December 31, 2009” and inserting “December 31, 2010”.

(b) CONTRIBUTIONS BY CERTAIN CORPORATE FARMERS AND RANCHERS.—Clause (iii) of section 170(b)(2)(B) is amended by striking “December 31, 2009” and inserting “December 31, 2010”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to contributions made in taxable years beginning after December 31, 2009.

**SEC. 225. ABOVE-THE-LINE DEDUCTION FOR QUALIFIED TUITION AND RELATED EXPENSES.**

(a) IN GENERAL.—Subsection (e) of section 222 is amended by striking “December 31, 2009” and inserting “December 31, 2010”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2009.

**SEC. 226. TAX-FREE DISTRIBUTIONS FROM INDIVIDUAL RETIREMENT PLANS FOR CHARITABLE PURPOSES.**

(a) IN GENERAL.—Subparagraph (F) of section 408(d)(8) is amended by striking “December 31, 2009” and inserting “December 31, 2010”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to distributions made in taxable years beginning after December 31, 2009.

**SEC. 227. LOOK-THRU OF CERTAIN REGULATED INVESTMENT COMPANY STOCK IN DETERMINING GROSS ESTATE OF NON-RESIDENTS.**

(a) IN GENERAL.—Paragraph (3) of section 2105(d) is amended by striking “December 31, 2009” and inserting “December 31, 2010”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to estates of decedents dying after December 31, 2009.

## **PART II—LOW-INCOME HOUSING CREDITS**

### **SEC. 231. ELECTION FOR DIRECT PAYMENT OF LOW-INCOME HOUSING CREDIT FOR 2010.**

(a) **IN GENERAL.**—Section 42 is amended by redesignating subsection (n) as subsection (o) and by inserting after subsection (m) the following new subsection:

“(n) **ELECTION FOR DIRECT PAYMENT OF CREDIT.**—

“(1) **IN GENERAL.**—The housing credit agency of each State shall be allowed a credit in an amount equal to such State’s 2010 low-income housing refundable credit election amount, which shall be payable by the Secretary as provided in paragraph (5).

“(2) **2010 LOW-INCOME HOUSING REFUNDABLE CREDIT ELECTION AMOUNT.**—For purposes of this subsection, the term ‘2010 low-income housing refundable credit election amount’ means, with respect to any State, such amount as the State may elect which does not exceed 85 percent of the product of—

“(A) the sum of—

“(i) 100 percent of the State housing credit ceiling for 2010 which is attributable to amounts described in clauses (i) and (iii) of subsection (h)(3)(C), and

“(ii) 40 percent of the State housing credit ceiling for 2010 which is attributable to amounts described in clauses (ii) and (iv) of such subsection, multiplied by

“(B) 10.

“(3) **COORDINATION WITH NON-REFUNDABLE CREDIT.**—For purposes of this section, the amounts described in clauses (i) through (iv) of subsection (h)(3)(C) with respect to any State for 2010 shall each be reduced by so much of such amount as is taken into account in determining the amount of the credit allowed with respect to such State under paragraph (1).

“(4) **SPECIAL RULE FOR BASIS.**—Basis of a qualified low-income building shall not be reduced by the amount of any payment made under this subsection.

“(5) **PAYMENT OF CREDIT; USE TO FINANCE LOW-INCOME BUILDINGS.**—The Secretary shall pay to the housing credit agency of each State an amount equal to the credit allowed under paragraph (1). Rules similar to the rules of subsections (c) and (d) of section 1602 of the American Recovery and Reinvestment Tax Act of 2009 shall apply with respect to any payment made under this paragraph, except that such subsection (d) shall be applied by substituting ‘January 1, 2012’ for ‘January 1, 2011’.”.

(b) **CONFORMING AMENDMENT.**—Section 1324(b)(2) of title 31, United States Code, is amended by inserting “42(n),” after “36C,”.

## **Subtitle C—Business Tax Relief**

### **SEC. 241. RESEARCH CREDIT.**

(a) **IN GENERAL.**—Subparagraph (B) of section 41(h)(1) is amended by striking “December 31, 2009” and inserting “December 31, 2010”.

(b) **CONFORMING AMENDMENT.**—Subparagraph (D) of section 45C(b)(1) is amended by striking “December 31, 2009” and inserting “December 31, 2010”.

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to amounts paid or incurred after December 31, 2009.

**SEC. 242. INDIAN EMPLOYMENT TAX CREDIT.**

(a) **IN GENERAL.**—Subsection (f) of section 45A is amended by striking “December 31, 2009” and inserting “December 31, 2010”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to taxable years beginning after December 31, 2009.

**SEC. 243. NEW MARKETS TAX CREDIT.**

(a) **IN GENERAL.**—Subparagraph (F) of section 45D(f)(1) is amended by inserting “and 2010” after “2009”.

(b) **CONFORMING AMENDMENT.**—Paragraph (3) of section 45D(f) is amended by striking “2014” and inserting “2015”.

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to calendar years beginning after 2009.

**SEC. 244. RAILROAD TRACK MAINTENANCE CREDIT.**

(a) **IN GENERAL.**—Subsection (f) of section 45G is amended by striking “January 1, 2010” and inserting “January 1, 2011”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to expenditures paid or incurred in taxable years beginning after December 31, 2009.

**SEC. 245. MINE RESCUE TEAM TRAINING CREDIT.**

(a) **IN GENERAL.**—Subsection (e) of section 45N is amended by striking “December 31, 2009” and inserting “December 31, 2010”.

(b) **CREDIT ALLOWABLE AGAINST AMT.**—Subparagraph (B) of section 38(c)(4), as amended by section 105, is amended—

(1) by redesignating clauses (vii) through (x) as clauses (viii) through (xi), respectively, and

(2) by inserting after clause (vi) the following new clause:  
“(vii) the credit determined under section 45N,”.

(c) **EFFECTIVE DATE.**—

(1) **IN GENERAL.**—Except as provided in paragraph (2), the amendments made by this section shall apply to taxable years beginning after December 31, 2009.

(2) **ALLOWANCE AGAINST AMT.**—The amendments made by subsection (b) shall apply to credits determined for taxable years beginning after December 31, 2009, and to carrybacks of such credits.

**SEC. 246. EMPLOYER WAGE CREDIT FOR EMPLOYEES WHO ARE ACTIVE DUTY MEMBERS OF THE UNIFORMED SERVICES.**

(a) **IN GENERAL.**—Subsection (f) of section 45P is amended by striking “December 31, 2009” and inserting “December 31, 2010”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to payments made after December 31, 2009.

**SEC. 247. 5-YEAR DEPRECIATION FOR FARMING BUSINESS MACHINERY AND EQUIPMENT.**

(a) **IN GENERAL.**—Clause (vii) of section 168(e)(3)(B) is amended by striking “January 1, 2010” and inserting “January 1, 2011”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to property placed in service after December 31, 2009.

**SEC. 248. 15-YEAR STRAIGHT-LINE COST RECOVERY FOR QUALIFIED LEASEHOLD IMPROVEMENTS, QUALIFIED RESTAURANT BUILDINGS AND IMPROVEMENTS, AND QUALIFIED RETAIL IMPROVEMENTS.**

(a) **IN GENERAL.**—Clauses (iv), (v), and (ix) of section 168(e)(3)(E) are each amended by striking “January 1, 2010” and inserting “January 1, 2011”.

(b) **CONFORMING AMENDMENTS.**—

(1) Clause (i) of section 168(e)(7)(A) is amended by striking “if such building is placed in service after December 31, 2008, and before January 1, 2010,”.

(2) Paragraph (8) of section 168(e) is amended by striking subparagraph (E).

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to property placed in service after December 31, 2009.

**SEC. 249. 7-YEAR RECOVERY PERIOD FOR MOTORSPORTS ENTERTAINMENT COMPLEXES.**

(a) **IN GENERAL.**—Subparagraph (D) of section 168(i)(15) is amended by striking “December 31, 2009” and inserting “December 31, 2010”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to property placed in service after December 31, 2009.

**SEC. 250. ACCELERATED DEPRECIATION FOR BUSINESS PROPERTY ON AN INDIAN RESERVATION.**

(a) **IN GENERAL.**—Paragraph (8) of section 168(j) is amended by striking “December 31, 2009” and inserting “December 31, 2010”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to property placed in service after December 31, 2009.

**SEC. 251. ENHANCED CHARITABLE DEDUCTION FOR CONTRIBUTIONS OF FOOD INVENTORY.**

(a) **IN GENERAL.**—Clause (iv) of section 170(e)(3)(C) is amended by striking “December 31, 2009” and inserting “December 31, 2010”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to contributions made after December 31, 2009.

**SEC. 252. ENHANCED CHARITABLE DEDUCTION FOR CONTRIBUTIONS OF BOOK INVENTORIES TO PUBLIC SCHOOLS.**

(a) **IN GENERAL.**—Clause (iv) of section 170(e)(3)(D) is amended by striking “December 31, 2009” and inserting “December 31, 2010”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to contributions made after December 31, 2009.

**SEC. 253. ENHANCED CHARITABLE DEDUCTION FOR CORPORATE CONTRIBUTIONS OF COMPUTER INVENTORY FOR EDUCATIONAL PURPOSES.**

(a) **IN GENERAL.**—Subparagraph (G) of section 170(e)(6) is amended by striking “December 31, 2009” and inserting “December 31, 2010”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to contributions made in taxable years beginning after December 31, 2009.

**SEC. 254. ELECTION TO EXPENSE MINE SAFETY EQUIPMENT.**

(a) **IN GENERAL.**—Subsection (g) of section 179E is amended by striking “December 31, 2009” and inserting “December 31, 2010”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to property placed in service after December 31, 2009.

**SEC. 255. SPECIAL EXPENSING RULES FOR CERTAIN FILM AND TELEVISION PRODUCTIONS.**

(a) **IN GENERAL.**—Subsection (f) of section 181 is amended by striking “December 31, 2009” and inserting “December 31, 2010”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to productions commencing after December 31, 2009.

**SEC. 256. EXPENSING OF ENVIRONMENTAL REMEDIATION COSTS.**

(a) **IN GENERAL.**—Subsection (h) of section 198 is amended by striking “December 31, 2009” and inserting “December 31, 2010”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to expenditures paid or incurred after December 31, 2009.

**SEC. 257. DEDUCTION ALLOWABLE WITH RESPECT TO INCOME ATTRIBUTABLE TO DOMESTIC PRODUCTION ACTIVITIES IN PUERTO RICO.**

(a) **IN GENERAL.**—Subparagraph (C) of section 199(d)(8) is amended—

(1) by striking “first 4 taxable years” and inserting “first 5 taxable years”, and

(2) by striking “January 1, 2010” and inserting “January 1, 2011”.

(b) **EFFECTIVE DATE.**—The amendments made by this section shall apply to taxable years beginning after December 31, 2009.

**SEC. 258. MODIFICATION OF TAX TREATMENT OF CERTAIN PAYMENTS TO CONTROLLING EXEMPT ORGANIZATIONS.**

(a) **IN GENERAL.**—Clause (iv) of section 512(b)(13)(E) is amended by striking “December 31, 2009” and inserting “December 31, 2010”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to payments received or accrued after December 31, 2009.

**SEC. 259. EXCLUSION OF GAIN OR LOSS ON SALE OR EXCHANGE OF CERTAIN BROWNFIELD SITES FROM UNRELATED BUSINESS INCOME.**

(a) **IN GENERAL.**—Subparagraph (K) of section 512(b)(19) is amended by striking “December 31, 2009” and inserting “December 31, 2010”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to property acquired after December 31, 2009.

**SEC. 260. TIMBER REIT MODERNIZATION.**

(a) **IN GENERAL.**—Paragraph (8) of section 856(c) is amended by striking “means” and all that follows and inserting “means December 31, 2010.”.

(b) **CONFORMING AMENDMENTS.**—

(1) Subparagraph (I) of section 856(c)(2) is amended by striking “the first taxable year beginning after the date of the enactment of this subparagraph” and inserting “a taxable year beginning on or before the termination date”.

(2) Clause (iii) of section 856(c)(5)(H) is amended by inserting “in taxable years beginning” after “dispositions”.

(3) Clause (v) of section 857(b)(6)(D) is amended by inserting “in a taxable year beginning” after “sale”.

(4) Subparagraph (G) of section 857(b)(6) is amended by inserting “in a taxable year beginning” after “In the case of a sale”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years ending after May 22, 2009.

**SEC. 261. TREATMENT OF CERTAIN DIVIDENDS OF REGULATED INVESTMENT COMPANIES.**

(a) IN GENERAL.—Paragraphs (1)(C) and (2)(C) of section 871(k) are each amended by striking “December 31, 2009” and inserting “December 31, 2010”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2009.

**SEC. 262. RIC QUALIFIED INVESTMENT ENTITY TREATMENT UNDER FIRPTA.**

(a) IN GENERAL.—Clause (ii) of section 897(h)(4)(A) is amended by striking “December 31, 2009” and inserting “December 31, 2010”.

(b) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendment made by subsection (a) shall take effect on January 1, 2010. Notwithstanding the preceding sentence, such amendment shall not apply with respect to the withholding requirement under section 1445 of the Internal Revenue Code of 1986 for any payment made before the date of the enactment of this Act.

(2) AMOUNTS WITHHELD ON OR BEFORE DATE OF ENACTMENT.—In the case of a regulated investment company—

(A) which makes a distribution after December 31, 2009, and before the date of the enactment of this Act, and

(B) which would (but for the second sentence of paragraph (1)) have been required to withhold with respect to such distribution under section 1445 of such Code, such investment company shall not be liable to any person to whom such distribution was made for any amount so withheld and paid over to the Secretary of the Treasury.

**SEC. 263. EXCEPTIONS FOR ACTIVE FINANCING INCOME.**

(a) IN GENERAL.—Sections 953(e)(10) and 954(h)(9) are each amended by striking “January 1, 2010” and inserting “January 1, 2011”.

(b) CONFORMING AMENDMENT.—Section 953(e)(10) is amended by striking “December 31, 2009” and inserting “December 31, 2010”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years of foreign corporations beginning after December 31, 2009, and to taxable years of United States shareholders with or within which any such taxable year of such foreign corporation ends.

**SEC. 264. LOOK-THRU TREATMENT OF PAYMENTS BETWEEN RELATED CONTROLLED FOREIGN CORPORATIONS UNDER FOREIGN PERSONAL HOLDING COMPANY RULES.**

(a) IN GENERAL.—Subparagraph (C) of section 954(c)(6) is amended by striking “January 1, 2010” and inserting “January 1, 2011”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years of foreign corporations beginning after December 31, 2009, and to taxable years of United States share-

holders with or within which any such taxable year of such foreign corporation ends.

**SEC. 265. BASIS ADJUSTMENT TO STOCK OF S CORPS MAKING CHARITABLE CONTRIBUTIONS OF PROPERTY.**

(a) **IN GENERAL.**—Paragraph (2) of section 1367(a) is amended by striking “December 31, 2009” and inserting “December 31, 2010”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to contributions made in taxable years beginning after December 31, 2009.

**SEC. 266. EMPOWERMENT ZONE TAX INCENTIVES.**

(a) **IN GENERAL.**—Section 1391 is amended—

(1) by striking “December 31, 2009” in subsection (d)(1)(A)(i) and inserting “December 31, 2010”, and

(2) by striking the last sentence of subsection (h)(2).

(b) **INCREASED EXCLUSION OF GAIN ON STOCK OF EMPOWERMENT ZONE BUSINESSES.**—Subparagraph (C) of section 1202(a)(2) is amended—

(1) by striking “December 31, 2014” and inserting “December 31, 2015”, and

(2) by striking “2014” in the heading and inserting “2015”.

(c) **TREATMENT OF CERTAIN TERMINATION DATES SPECIFIED IN NOMINATIONS.**—In the case of a designation of an empowerment zone the nomination for which included a termination date which is contemporaneous with the date specified in subparagraph (A)(i) of section 1391(d)(1) of the Internal Revenue Code of 1986 (as in effect before the enactment of this Act), subparagraph (B) of such section shall not apply with respect to such designation unless, after the date of the enactment of this section, the entity which made such nomination reconfirms such termination date, or amends the nomination to provide for a new termination date, in such manner as the Secretary of the Treasury (or the Secretary’s designee) may provide.

(d) **EFFECTIVE DATE.**—The amendments made by this section shall apply to periods after December 31, 2009.

**SEC. 267. TAX INCENTIVES FOR INVESTMENT IN THE DISTRICT OF COLUMBIA.**

(a) **IN GENERAL.**—Subsection (f) of section 1400 is amended by striking “December 31, 2009” each place it appears and inserting “December 31, 2010”.

(b) **TAX-EXEMPT DC EMPOWERMENT ZONE BONDS.**—Subsection (b) of section 1400A is amended by striking “December 31, 2009” and inserting “December 31, 2010”.

(c) **ZERO-PERCENT CAPITAL GAINS RATE.**—

(1) **ACQUISITION DATE.**—Paragraphs (2)(A)(i), (3)(A), (4)(A)(i), and (4)(B)(i)(I) of section 1400B(b) are each amended by striking “January 1, 2010” and inserting “January 1, 2011”.

(2) **LIMITATION ON PERIOD OF GAINS.**—

(A) **IN GENERAL.**—Paragraph (2) of section 1400B(e) is amended—

(i) by striking “December 31, 2014” and inserting “December 31, 2015”, and

(ii) by striking “2014” in the heading and inserting “2015”.

- (B) PARTNERSHIPS AND S-CORPS.—Paragraph (2) of section 1400B(g) is amended by striking “December 31, 2014” and inserting “December 31, 2015”.
- (d) FIRST-TIME HOMEBUYER CREDIT.—Subsection (i) of section 1400C is amended by striking “January 1, 2010” and inserting “January 1, 2011”.
- (e) EFFECTIVE DATES.—
- (1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this section shall apply to periods after December 31, 2009.
- (2) TAX-EXEMPT DC EMPOWERMENT ZONE BONDS.—The amendment made by subsection (b) shall apply to bonds issued after December 31, 2009.
- (3) ACQUISITION DATES FOR ZERO-PERCENT CAPITAL GAINS RATE.—The amendments made by subsection (c) shall apply to property acquired or substantially improved after December 31, 2009.
- (4) HOMEBUYER CREDIT.—The amendment made by subsection (d) shall apply to homes purchased after December 31, 2009.

**SEC. 268. RENEWAL COMMUNITY TAX INCENTIVES.**

- (a) IN GENERAL.—Subsection (b) of section 1400E is amended—
- (1) by striking “December 31, 2009” in paragraphs (1)(A) and (3) and inserting “December 31, 2010”, and
- (2) by striking “January 1, 2010” in paragraph (3) and inserting “January 1, 2011”.
- (b) ZERO-PERCENT CAPITAL GAINS RATE.—
- (1) ACQUISITION DATE.—Paragraphs (2)(A)(i), (3)(A), (4)(A)(i), and (4)(B)(i) of section 1400F(b) are each amended by striking “January 1, 2010” and inserting “January 1, 2011”.
- (2) LIMITATION ON PERIOD OF GAINS.—Paragraph (2) of section 1400F(c) is amended—
- (A) by striking “December 31, 2014” and inserting “December 31, 2015”, and
- (B) by striking “2014” in the heading and inserting “2015”.
- (3) CLERICAL AMENDMENT.—Subsection (d) of section 1400F is amended by striking “and ‘December 31, 2014’ for ‘December 31, 2014’”.
- (c) COMMERCIAL REVITALIZATION DEDUCTION.—
- (1) IN GENERAL.—Subsection (g) of section 1400I is amended by striking “December 31, 2009” and inserting “December 31, 2010”.
- (2) CONFORMING AMENDMENT.—Subparagraph (A) of section 1400I(d)(2) is amended by striking “after 2001 and before 2010” and inserting “which begins after 2001 and before the date referred to in subsection (g)”.
- (d) INCREASED EXPENSING UNDER SECTION 179.—Subparagraph (A) of section 1400J(b)(1) is amended by striking “January 1, 2010” and inserting “January 1, 2011”.
- (e) TREATMENT OF CERTAIN TERMINATION DATES SPECIFIED IN NOMINATIONS.—In the case of a designation of a renewal community the nomination for which included a termination date which is contemporaneous with the date specified in subparagraph (A) of section 1400E(b)(1) of the Internal Revenue Code of 1986 (as in effect before the enactment of this Act), subparagraph (B) of such

section shall not apply with respect to such designation unless, after the date of the enactment of this section, the entity which made such nomination reconfirms such termination date, or amends the nomination to provide for a new termination date, in such manner as the Secretary of the Treasury (or the Secretary's designee) may provide.

(f) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this section shall apply to periods after December 31, 2009.

(2) ACQUISITIONS.—The amendments made by subsections (b)(1) and (d) shall apply to acquisitions after December 31, 2009.

(3) COMMERCIAL REVITALIZATION DEDUCTION.—

(A) IN GENERAL.—The amendment made by subsection (c)(1) shall apply to buildings placed in service after December 31, 2009.

(B) CONFORMING AMENDMENT.—The amendment made by subsection (c)(2) shall apply to calendar years beginning after December 31, 2009.

**SEC. 269. TEMPORARY INCREASE IN LIMIT ON COVER OVER OF RUM EXCISE TAXES TO PUERTO RICO AND THE VIRGIN ISLANDS.**

(a) IN GENERAL.—Paragraph (1) of section 7652(f) is amended by striking “January 1, 2010” and inserting “January 1, 2011”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to distilled spirits brought into the United States after December 31, 2009.

**SEC. 270. PAYMENT TO AMERICAN SAMOA IN LIEU OF EXTENSION OF ECONOMIC DEVELOPMENT CREDIT.**

The Secretary of the Treasury (or his designee) shall pay \$18,000,000 to the Government of American Samoa for purposes of economic development. The payment made under the preceding sentence shall be treated for purposes of section 1324 of title 31, United States Code, as a refund of internal revenue collections to which such section applies.

**SEC. 271. ELECTION TO TEMPORARILY UTILIZE UNUSED AMT CREDITS DETERMINED BY DOMESTIC INVESTMENT.**

(a) IN GENERAL.—Section 53 is amended by adding at the end the following new subsection:

“(g) ELECTION FOR CORPORATIONS WITH NEW DOMESTIC INVESTMENTS.—

“(1) IN GENERAL.—If a corporation elects to have this subsection apply for its first taxable year beginning after December 31, 2009, the limitation imposed by subsection (c) for such taxable year shall be increased by the AMT credit adjustment amount.

“(2) AMT CREDIT ADJUSTMENT AMOUNT.—For purposes of paragraph (1), the term ‘AMT credit adjustment amount’ means, the lesser of—

“(A) 50 percent of a corporation’s minimum tax credit for its first taxable year beginning after December 31, 2009, determined under subsection (b), or

“(B) 10 percent of new domestic investments made during such taxable year.

“(3) NEW DOMESTIC INVESTMENTS.—For purposes of this subsection, the term ‘new domestic investments’ means the cost of qualified property (as defined in section 168(k)(2)(A)(i))—

“(A) the original use of which commences with the taxpayer during the taxable year, and

“(B) which is placed in service in the United States by the taxpayer during such taxable year.

“(4) CREDIT REFUNDABLE.—For purposes of subsection (b) of section 6401, the aggregate increase in the credits allowable under this part for any taxable year resulting from the application of this subsection shall be treated as allowed under subpart C (and not under any other subpart). For purposes of section 6425, any amount treated as so allowed shall be treated as a payment of estimated income tax for the taxable year.

“(5) ELECTION.—An election under this subsection shall be made at such time and in such manner as prescribed by the Secretary, and once made, may be revoked only with the consent of the Secretary. Not later than 90 days after the date of the enactment of this subsection, the Secretary shall issue guidance specifying such time and manner.

“(6) TREATMENT OF CERTAIN PARTNERSHIP INVESTMENTS.—For purposes of this subsection, a corporation shall take into account its allocable share of any new domestic investments by a partnership for any taxable year if, and only if, more than 90 percent of the capital and profits interests in such partnership are owned by such corporation (directly or indirectly) at all times during such taxable year.

“(7) NO DOUBLE BENEFIT.—

“(A) IN GENERAL.—A corporation making an election under this subsection may not make an election under subparagraph (H) of section 172(b)(1).

“(B) SPECIAL RULES WITH RESPECT TO TAXPAYERS PREVIOUSLY ELECTING APPLICABLE NET OPERATING LOSSES.—In the case of a corporation which made an election under subparagraph (H) of section 172(b)(1) and elects the application of this subsection—

“(i) ELECTION OF APPLICABLE NET OPERATING LOSS TREATED AS REVOKED.—The election under such subparagraph (H) shall (notwithstanding clause (iii)(II) of such subparagraph) be treated as having been revoked by the taxpayer.

“(ii) COORDINATION WITH PROVISION FOR EXPEDITED REFUND.—The amount otherwise treated as a payment of estimated income tax under the last sentence of paragraph (4) shall be reduced (but not below zero) by the aggregate increase in unpaid tax liability determined under this chapter by reason of the revocation of the election under clause (i).

“(iii) APPLICATION OF STATUTE OF LIMITATIONS.—With respect to the revocation of an election under clause (i)—

“(I) the statutory period for the assessment of any deficiency attributable to such revocation shall not expire before the end of the 3-year period

beginning on the date of the election to have this subsection apply, and

“(II) such deficiency may be assessed before the expiration of such 3-year period notwithstanding the provisions of any other law or rule of law which would otherwise prevent such assessment.

“(C) EXCEPTION FOR ELIGIBLE SMALL BUSINESSES.—Subparagraphs (A) and (B) shall not apply to an eligible small business as defined in section 172(b)(1)(H)(v)(II).

“(8) REGULATIONS.—The Secretary may issue such regulations or other guidance as may be necessary or appropriate to carry out the purposes of this subsection, including to prevent fraud and abuse under this subsection.”.

(b) CONFORMING AMENDMENTS.—

(1) Section 6211(b)(4)(A) is amended by inserting “53(g),” after “53(e),”.

(2) Section 1324(b)(2) of title 31, United States Code, is amended by inserting “53(g),” after “53(e),”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2009.

**SEC. 272. STUDY OF EXTENDED TAX EXPENDITURES.**

(a) FINDINGS.—Congress finds the following:

(1) Currently, the aggregate cost of Federal tax expenditures rivals, or even exceeds, the amount of total Federal discretionary spending.

(2) Given the escalating public debt, a critical examination of this use of taxpayer dollars is essential.

(3) Additionally, tax expenditures can complicate the Internal Revenue Code of 1986 for taxpayers and complicate tax administration for the Internal Revenue Service.

(4) To facilitate a better understanding of tax expenditures in the future, it is constructive for legislation extending these provisions to include a study of such provisions.

(b) REQUIREMENT TO REPORT.—Not later than November 30, 2010, the Chief of Staff of the Joint Committee on Taxation, in consultation with the Comptroller General of the United States, shall submit to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate a report on each tax expenditure (as defined in section 3(3) of the Congressional Budget Impoundment Control Act of 1974 (2 U.S.C. 622(3)) extended by this title.

(c) ROLLING SUBMISSION OF REPORTS.—The Chief of Staff of the Joint Committee on Taxation shall initially submit the reports for each such tax expenditure enacted in this subtitle (relating to business tax relief) and subtitle A (relating to energy) in order of the tax expenditure incurring the least aggregate cost to the greatest aggregate cost (determined by reference to the cost estimate of this Act by the Joint Committee on Taxation). Thereafter, such reports may be submitted in such order as the Chief of Staff determines appropriate.

(d) CONTENTS OF REPORT.—Such reports shall contain the following:

(1) An explanation of the tax expenditure and any relevant economic, social, or other context under which it was first enacted.

(2) A description of the intended purpose of the tax expenditure.

(3) An analysis of the overall success of the tax expenditure in achieving such purpose, and evidence supporting such analysis.

(4) An analysis of the extent to which further extending the tax expenditure, or making it permanent, would contribute to achieving such purpose.

(5) A description of the direct and indirect beneficiaries of the tax expenditure, including identifying any unintended beneficiaries.

(6) An analysis of whether the tax expenditure is the most cost-effective method for achieving the purpose for which it was intended, and a description of any more cost-effective methods through which such purpose could be accomplished.

(7) A description of any unintended effects of the tax expenditure that are useful in understanding the tax expenditure's overall value.

(8) An analysis of how the tax expenditure could be modified to better achieve its original purpose.

(9) A brief description of any interactions (actual or potential) with other tax expenditures or direct spending programs in the same or related budget function worthy of further study.

(10) A description of any unavailable information the staff of the Joint Committee on Taxation may need to complete a more thorough examination and analysis of the tax expenditure, and what must be done to make such information available.

(e) **MINIMUM ANALYSIS BY DEADLINE.**—In the event the Chief of Staff of the Joint Committee on Taxation concludes it will not be feasible to complete all reports by the date specified in subsection (a), at a minimum, the reports for each tax expenditure enacted in this subtitle (relating to business tax relief) and subtitle A (relating to energy) shall be completed by such date.

## **Subtitle D—Temporary Disaster Relief Provisions**

### **PART I—NATIONAL DISASTER RELIEF**

#### **SEC. 281. WAIVER OF CERTAIN MORTGAGE REVENUE BOND REQUIREMENTS.**

(a) **IN GENERAL.**—Paragraph (11) of section 143(k) is amended by striking “January 1, 2010” and inserting “January 1, 2011”.

(b) **SPECIAL RULE FOR RESIDENCES DESTROYED IN FEDERALLY DECLARED DISASTERS.**—Paragraph (13) of section 143(k), as redesignated by subsection (c), is amended by striking “January 1, 2010” in subparagraphs (A)(i) and (B)(i) and inserting “January 1, 2011”.

(c) **TECHNICAL AMENDMENT.**—Subsection (k) of section 143 is amended by redesignating the second paragraph (12) (relating to special rules for residences destroyed in federally declared disasters) as paragraph (13).

(d) **EFFECTIVE DATES.**—

(1) **IN GENERAL.**—Except as otherwise provided in this subsection, the amendment made by this section shall apply to bonds issued after December 31, 2009.

(2) **RESIDENCES DESTROYED IN FEDERALLY DECLARED DISASTERS.**—The amendments made by subsection (b) shall apply with respect to disasters occurring after December 31, 2009.

(3) **TECHNICAL AMENDMENT.**—The amendment made by subsection (c) shall take effect as if included in section 709 of the Tax Extenders and Alternative Minimum Tax Relief Act of 2008.

**SEC. 282. LOSSES ATTRIBUTABLE TO FEDERALLY DECLARED DISASTERS.**

(a) **IN GENERAL.**—Subclause (I) of section 165(h)(3)(B)(i) is amended by striking “January 1, 2010” and inserting “January 1, 2011”.

(b) **\$500 LIMITATION.**—Paragraph (1) of section 165(h) is amended by striking “December 31, 2009” and inserting “December 31, 2010”.

(c) **EFFECTIVE DATE.**—

(1) **IN GENERAL.**—The amendment made by subsection (a) shall apply to federally declared disasters occurring after December 31, 2009.

(2) **\$500 LIMITATION.**—The amendment made by subsection (b) shall apply to taxable years beginning after December 31, 2009.

**SEC. 283. SPECIAL DEPRECIATION ALLOWANCE FOR QUALIFIED DISASTER PROPERTY.**

(a) **IN GENERAL.**—Subclause (I) of section 168(n)(2)(A)(ii) is amended by striking “January 1, 2010” and inserting “January 1, 2011”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to disasters occurring after December 31, 2009.

**SEC. 284. NET OPERATING LOSSES ATTRIBUTABLE TO FEDERALLY DECLARED DISASTERS.**

(a) **IN GENERAL.**—Subclause (I) of section 172(j)(1)(A)(i) is amended by striking “January 1, 2010” and inserting “January 1, 2011”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to losses attributable to disasters occurring after December 31, 2009.

**SEC. 285. EXPENSING OF QUALIFIED DISASTER EXPENSES.**

(a) **IN GENERAL.**—Subparagraph (A) of section 198A(b)(2) is amended by striking “January 1, 2010” and inserting “January 1, 2011”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to expenditures on account of disasters occurring after December 31, 2009.

## PART II—REGIONAL PROVISIONS

### Subpart A—New York Liberty Zone

**SEC. 291. SPECIAL DEPRECIATION ALLOWANCE FOR NONRESIDENTIAL AND RESIDENTIAL REAL PROPERTY.**

(a) **IN GENERAL.**—Subparagraph (A) of section 1400L(b)(2) is amended by striking “December 31, 2009” and inserting “December 31, 2010”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to property placed in service after December 31, 2009.

**SEC. 292. TAX-EXEMPT BOND FINANCING.**

(a) **IN GENERAL.**—Subparagraph (D) of section 1400L(d)(2) is amended by striking “January 1, 2010” and inserting “January 1, 2011”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to bonds issued after December 31, 2009.

### Subpart B—GO Zone

**SEC. 295. INCREASE IN REHABILITATION CREDIT.**

(a) **IN GENERAL.**—Subsection (h) of section 1400N is amended by striking “December 31, 2009” and inserting “December 31, 2010”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to amounts paid or incurred after December 31, 2009.

**SEC. 296. WORK OPPORTUNITY TAX CREDIT WITH RESPECT TO CERTAIN INDIVIDUALS AFFECTED BY HURRICANE KATRINA FOR EMPLOYERS INSIDE DISASTER AREAS.**

(a) **IN GENERAL.**—Paragraph (1) of section 201(b) of the Katrina Emergency Tax Relief Act of 2005 is amended by striking “4-year” and inserting “5-year”.

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall apply to individuals hired after August 27, 2009.

**SEC. 297. EXTENSION OF LOW-INCOME HOUSING CREDIT RULES FOR BUILDINGS IN GO ZONES.**

Section 1400N(c)(5) is amended by striking “January 1, 2011” and inserting “January 1, 2013”.

## TITLE III—PENSION PROVISIONS

### Subtitle A—Pension Funding Relief

#### PART 1—SINGLE-EMPLOYER PLANS

**SEC. 301. EXTENDED PERIOD FOR SINGLE-EMPLOYER DEFINED BENEFIT PLANS TO AMORTIZE CERTAIN SHORTFALL AMORTIZATION BASES.**

(a) **ERISA AMENDMENTS.**—

(1) **IN GENERAL.**—Section 303(c)(2) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1083(c)(2)) is amended by adding at the end the following subparagraphs:

“(D) **SPECIAL RULE.**—

“(i) IN GENERAL.—In the case of the shortfall amortization base of a plan for any applicable plan year, the shortfall amortization installments are the amounts described in clause (ii) or (iii), if made applicable by an election under clause (iv). In the absence of a timely election, such installments shall be determined without regard to this subparagraph.

“(ii) 2 PLUS 7 AMORTIZATION SCHEDULE.—The shortfall amortization installments described in this clause are—

“(I) in the case of the first 2 plan years in the 9-plan-year period beginning with the applicable plan year, interest on the shortfall amortization base (determined by using the effective interest rate for the applicable plan year), and

“(II) in the case of the last 7 plan years in such 9-plan-year period, the amounts necessary to amortize the balance of such shortfall amortization base in level annual installments over such last 7 plan years (determined using the segment rates determined under subparagraph (C) of subsection (h)(2) for the applicable plan year, applied under rules similar to the rules of subparagraph (B) of subsection (h)(2)).

“(iii) 15-YEAR AMORTIZATION.—The shortfall amortization installments described in this clause are the amounts under subparagraphs (A) and (B) determined by substituting ‘15 plan-year period’ for ‘7-plan-year period’.

“(iv) ELECTION.—

“(I) IN GENERAL.—The plan sponsor may, with respect to a plan, elect, with respect to any of not more than 2 applicable plan years, to determine shortfall amortization installments under this subparagraph. An election under either clause (ii) or clause (iii) may be made with respect to either of such applicable plan years.

“(II) ELIGIBILITY FOR ELECTION.—An election may be made to determine shortfall amortization installments under this subparagraph with respect to a plan only if, as of the date of the election—

“(aa) the plan sponsor is not a debtor in a case under title 11, United States Code, or similar Federal or State law,

“(bb) there are no unpaid minimum required contributions with respect to the plan for purposes of section 4971 of the Internal Revenue Code of 1986,

“(cc) there is no lien in favor of the plan under subsection (k) or under section 430(k) of such Code, and

“(dd) a distress termination has not been initiated for the plan under section 4041(c).

“(III) RULES RELATING TO ELECTION.—Such election shall be made at such times, and in such form and manner, as shall be prescribed by the Secretary of the Treasury and shall be irrevocable, except under such limited circumstances, and subject to such conditions, as such Secretary may prescribe.

“(E) APPLICABLE PLAN YEAR.—

“(i) IN GENERAL.—For purposes of this paragraph, the term ‘applicable plan year’ means, subject to the election of the plan sponsor under subparagraph (D)(iv), each of not more than 2 of the plan years beginning in 2008, 2009, 2010, or 2011.

“(ii) SPECIAL RULE RELATING TO 2008.—A plan year may be elected as an applicable plan year pursuant to this subparagraph only if the due date under subsection (j)(1) for the payment of the minimum required contribution for such plan year occurs on or after March 10, 2010.

“(F) INCREASES IN SHORTFALL AMORTIZATION INSTALLMENTS IN CASES OF EXCESS COMPENSATION OR CERTAIN DIVIDENDS OR STOCK REDEMPTIONS.—

“(i) IN GENERAL.—If, with respect to an election for an applicable plan year under subparagraph (D), there is an installment acceleration amount with respect to a plan for any plan year in the restriction period (or if there is an installment acceleration amount carried forward to a plan year not in the restriction period), then the shortfall amortization installment otherwise determined and payable under this paragraph for such plan year shall be increased by such amount.

“(ii) BACK-END ADJUSTMENT TO AMORTIZATION SCHEDULE.—Subject to rules prescribed by the Secretary of the Treasury, if a shortfall amortization installment with respect to any shortfall amortization base for an applicable plan year is required to be increased for any plan year under clause (i), subsequent shortfall amortization installments with respect to such base shall be reduced, in reverse order of the otherwise required installments beginning with the final scheduled installment, to the extent necessary to limit the present value of such subsequent shortfall amortization installments (after application of this subparagraph) to the present value of the remaining unamortized shortfall amortization base.

“(iii) INSTALLMENT ACCELERATION AMOUNT.—For purposes of this subparagraph—

“(I) IN GENERAL.—The term ‘installment acceleration amount’ means, with respect to any plan year in a restriction period with respect to an applicable plan year, the sum of—

“(aa) the aggregate amount of excess employee compensation determined under clause (iv) for the plan year, plus

“(bb) the dividend and redemption amount determined under clause (v) for the plan year.  
 “(II) CUMULATIVE LIMITATION.—The installment acceleration amount for any plan year shall not exceed the excess (if any) of—

“(aa) the sum of the shortfall amortization installments for the plan year and all preceding plan years in the amortization period elected under subparagraph (D) with respect to the shortfall amortization base with respect to an applicable year, determined without regard to subparagraph (D) and this subparagraph, over

“(bb) the sum of the shortfall amortization installments for such plan year and all such preceding plan years, determined after application of subparagraph (D) (and in the case of any preceding plan year, after application of this subparagraph).

“(III) CARRYOVER OF EXCESS INSTALLMENT ACCELERATION AMOUNTS.—

“(aa) IN GENERAL.—If the installment acceleration amount for any plan year (determined without regard to subclause (II)) exceeds the limitation under subclause (II), then, subject to item (bb), such excess shall be treated as an installment acceleration amount for the succeeding plan year.

“(bb) CAP TO APPLY.—If any amount treated as an installment acceleration amount under item (aa) or this item with respect any succeeding plan year, when added to other installment acceleration amounts (determined without regard to subclause (II)) with respect to the plan year, exceeds the limitation under subclause (II), the portion of such amount representing such excess shall be treated as an installment acceleration amount with respect to the next succeeding plan year.

“(cc) LIMITATION ON YEARS TO WHICH AMOUNTS CARRIED FORWARD.—No amount shall be carried forward under item (aa) or (bb) to a plan year which begins after the last plan year in the restriction period (or after the second plan year following such last plan year in the case of an election year with respect to which 15-year amortization was elected under subparagraph (D)(iii)).

“(dd) ORDERING RULES.—For purposes of applying item (bb), installment acceleration amounts for the plan year (determined without regard to any carryover under this clause) shall be applied first against the limitation under subclause (II) and then carryovers to

such plan year shall be applied against such limitation on a first-in, first-out basis.

“(iv) EXCESS EMPLOYEE COMPENSATION.—

“(I) IN GENERAL.—For purposes of this paragraph, the term ‘excess employee compensation’ means the sum of—

“(aa) with respect to any employee, for any plan year, the excess (if any) of—

“(AA) the aggregate amount includible in income under chapter 1 of the Internal Revenue Code of 1986 for remuneration during the calendar year in which such plan year begins for services performed by the employee for the plan sponsor (whether or not performed during such calendar year), over

“(BB) \$1,000,000, plus

“(bb) the amount of assets set aside or reserved (directly or indirectly) in a trust (or other arrangement as determined by the Secretary of the Treasury), or transferred to such a trust or other arrangement, during the calendar year by a plan sponsor for purposes of paying deferred compensation of an employee under a nonqualified deferred compensation plan (as defined in section 409A of such Code) of the plan sponsor.

“(II) NO DOUBLE COUNTING.—No amount shall be taken into account under subclause (I) more than once.

“(III) EMPLOYEE; REMUNERATION.—For purposes of this clause, the term ‘employee’ includes, with respect to a calendar year, a self-employed individual who is treated as an employee under section 401(c) of the Internal Revenue Code of 1986 for the taxable year ending during such calendar year, and the term ‘remuneration’ shall include earned income of such an individual.

“(IV) CERTAIN PAYMENTS UNDER EXISTING CONTRACTS.—There shall not be taken into account under subclause (I)(aa) any remuneration consisting of nonqualified deferred compensation, restricted stock (or restricted stock units), stock options, or stock appreciation rights payable or granted under a written binding contract that was in effect on March 1, 2010, and which was not modified in any material respect before such remuneration is paid.

“(V) ONLY REMUNERATION FOR POST-2009 SERVICES COUNTED.—Remuneration shall be taken into account under subclause (I)(aa) only to the extent attributable to services performed by the employee for the plan sponsor after December 31, 2009.

“(VI) COMMISSIONS.—

“(aa) IN GENERAL.—There shall not be taken into account under subclause (I)(aa) any remuneration payable on a commission basis solely on account of income directly generated by the individual performance of the individual to whom such remuneration is payable.

“(bb) SPECIFIED EMPLOYEES.—Item (aa) shall not apply in the case of any specified employee (within the meaning of section 409A(a)(2)(B)(i) of the Internal Revenue Code of 1986) or any employee who would be such a specified employee if the plan sponsor were a corporation described in such section.

“(VII) INDEXING OF AMOUNT.—In the case of any calendar year beginning after 2010, the dollar amount under subclause (I)(aa)(BB) shall be increased by an amount equal to—

“(aa) such dollar amount, multiplied by

“(bb) the cost-of-living adjustment determined under section 1(f)(3) of the Internal Revenue Code of 1986 for the calendar year, determined by substituting ‘calendar year 2009’ for ‘calendar year 1992’ in subparagraph (B) thereof.

If the amount of any increase under clause (i) is not a multiple of \$20,000, such increase shall be rounded to the next lowest multiple of \$20,000.

“(v) CERTAIN DIVIDENDS AND REDEMPTIONS.—

“(I) IN GENERAL.—The dividend and redemption amount determined under this clause for any plan year is the lesser of—

“(aa) the excess of—

“(AA) the sum of the dividends paid during the plan year by the plan sponsor, plus the amounts paid for the redemption of stock of the plan sponsor redeemed during the plan year, over

“(BB) an amount equal to the average of adjusted annual net income of the plan sponsor for the last 5 fiscal years of the plan sponsor ending before such plan year, or

“(bb) the sum of—

“(AA) the amounts paid for the redemption of stock of the plan sponsor redeemed during the plan year, plus

“(BB) the excess of dividends paid during the plan year by the plan sponsor over the dividend base amount.

“(II) DEFINITIONS.—

“(aa) ADJUSTED ANNUAL NET INCOME.—For purposes of subclause (I)(aa)(BB), the term ‘adjusted annual net income’ with respect to any fiscal year means annual net income, de-

terminated in accordance with generally accepted accounting principles (before after-tax gain or loss on any sale of assets), but without regard to any reduction by reason of depreciation or amortization, except that in no event shall adjusted annual net income for any fiscal year be less than zero.

“(bb) DIVIDEND BASE AMOUNT.—For purposes of this clause, the term ‘dividend base amount’ means, with respect to a plan year, an amount equal to the greater of—

“(AA) the median of the amounts of the dividends paid during each of the last 5 fiscal years of the plan sponsor ending before such plan year, or

“(BB) the amount of dividends paid during such plan year on preferred stock that was issued on or before May 21, 2010, or that is replacement stock for such preferred stock.

“(III) ONLY CERTAIN POST-2009 DIVIDENDS AND REDEMPTIONS COUNTED.—For purposes of subclause (I) (other than for purposes of calculating the dividend base amount), there shall only be taken into account dividends declared, and redemptions occurring, after February 28, 2010.

“(IV) EXCEPTION FOR INTRA-GROUP DIVIDENDS.—Dividends paid by one member of a controlled group (as defined in section 302(d)(3)) to another member of such group shall not be taken into account under subclause (I).

“(V) EXCEPTION FOR STOCK DIVIDENDS.—Any distribution by the plan sponsor to its shareholders of stock issued by the plan sponsor shall not be taken into account under subclause (I).

“(VI) EXCEPTION FOR CERTAIN REDEMPTIONS.—Redemptions of securities which are not readily tradable on an established securities market which—

“(aa) are made pursuant to a pension plan that is qualified under section 401 of the Internal Revenue Code of 1986 or a shareholder-approved program,

“(bb) are made on account of an employee’s termination of employment with the plan sponsor, or the death or disability of a shareholder, or

“(cc) were, immediately before redemption, held directly or indirectly by, or for the benefit of, the Federal Government or a Federal reserve bank,

shall not be taken into account under subclause (I).

“(vi) OTHER DEFINITIONS AND RULES.—For purposes of this subparagraph—

“(I) PLAN SPONSOR.—The term ‘plan sponsor’ includes any member of the plan sponsor’s controlled group (as defined in section 302(d)(3)).

“(II) RESTRICTION PERIOD.—The term ‘restriction period’ means, with respect to any applicable plan year with respect to which an election is made under subparagraph (D)—

“(aa) except as provided in item (bb), the 3-year period beginning with the applicable plan year (or, if later, the first plan year beginning after December 31, 2009), or

“(bb) if the plan sponsor elects 15-year amortization for the shortfall amortization base for the applicable plan year, the 5-year period beginning with such plan year (or, if later, the first plan year beginning after December 31, 2009).

“(III) ELECTIONS FOR MULTIPLE PLANS.—If a plan sponsor makes elections under subparagraph (D) with respect to 2 or more plans, the Secretary of the Treasury shall provide rules for the application of this subparagraph to such plans, including rules for the ratable allocation of any installment acceleration amount among such plans on the basis of each plan’s relative reduction in the plan’s shortfall amortization installment for the first plan year in the amortization period described in clause (i) (determined without regard to this subparagraph).

“(G) MERGERS AND ACQUISITIONS.—The Secretary of the Treasury shall prescribe rules for the application of subparagraphs (D) and (F) in any case where there is a merger or acquisition involving a plan sponsor making the election under subparagraph (D).

“(H) REGULATIONS AND GUIDANCE.—The Secretary of the Treasury may prescribe such regulations and other guidance of general applicability as such Secretary may determine necessary to achieve the purposes of subparagraphs (D) and (F).”.

(2) NOTICE REQUIREMENT.—Section 204 of such Act (29 U.S.C. 1054) is amended—

(A) by redesignating subsection (k) as subsection (l); and

(B) by inserting after subsection (j) the following new subsection:

“(k) NOTICE IN CONNECTION WITH SHORTFALL AMORTIZATION ELECTION.—

“(1) IN GENERAL.—Not later 30 days after the date of an election under clause (iv) of section 303(c)(2)(D) in connection with a single-employer plan, the plan administrator shall provide notice of such election in accordance with this subsection to each plan participant and beneficiary, each labor organization representing such participants and beneficiaries, and the Pension Benefit Guaranty Corporation.

“(2) MATTERS INCLUDED IN NOTICE.—Each notice provided pursuant to this subsection shall set forth—

- “(A) a statement that recently enacted legislation permits employers to delay pension funding;
- “(B) with respect to required contributions—
- “(i) the amount of contributions that would have been required had the election not been made;
  - “(ii) the amount of the reduction in required contributions for the applicable plan year that occurs on account of the election; and
  - “(iii) the number of plan years to which such reduction will apply;
- “(C) with respect to a plan’s funding status as of the end of the plan year preceding the applicable plan year—
- “(i) the liabilities determined under section 4010(d)(1)(A); and
  - “(ii) the market value of assets of the plan; and
- “(D) with respect to installment acceleration amounts (as defined in section 303(c)(2)(F)(iii)(I))—
- “(i) an explanation of section 303(c)(2)(F) (relating to increases in shortfall amortization installments in cases of excess compensation or certain dividends or stock redemptions); and
  - “(ii) a statement that increases in required contributions may occur in the event of future payments of excess employee compensation or certain share repurchasing or dividend activity and that subsequent notices of any such payments or activity will be provided in the annual funding notice provided pursuant to section 101(f).
- “(3) OTHER REQUIREMENTS.—
- “(A) FORM.—The notice required by paragraph (1) shall be written in a manner calculated to be understood by the average plan participant. The Secretary of the Treasury shall prescribe a model notice that a plan administrator may use to satisfy the requirements of paragraph (1).
- “(B) PROVISION TO DESIGNATED PERSONS.—Any notice under paragraph (1) may be provided to a person designated, in writing, by the person to which it would otherwise be provided.
- “(4) EFFECT OF EGREGIOUS FAILURE.—
- “(A) IN GENERAL.—In the case of any egregious failure to meet any requirement of this subsection with respect to any election, such election shall be treated as having not been made.
- “(B) EGREGIOUS FAILURE.—For purposes of subparagraph (A), there is an egregious failure to meet the requirements of this subsection if such failure is in the control of the plan sponsor and is—
- “(i) an intentional failure (including any failure to promptly provide the required notice or information after the plan administrator discovers an unintentional failure to meet the requirements of this subsection),
  - “(ii) a failure to provide most of the participants and beneficiaries with most of the information they are entitled to receive under this subsection, or

“(iii) a failure which is determined to be egregious under regulations prescribed by the Secretary of the Treasury.

“(5) USE OF NEW TECHNOLOGIES.—The Secretary of the Treasury may, in consultation with the Secretary, by regulations or other guidance of general applicability, allow any notice under this subsection to be provided using new technologies.”.

(C) SUBSEQUENT SUPPLEMENTAL NOTICES.—Section 101(f)(2)(C) of such Act (29 U.S.C. 1021(f)(2)(C)) is amended—

- (i) by striking “and” at the end of clause (i);
- (ii) by redesignating clause (ii) as clause (iii); and
- (iii) by inserting after clause (i) the following new clause:

“(ii) any excess employee compensation amounts and any dividends and redemptions amounts determined under section 303(c)(2)(F) for the preceding plan year with respect to the plan, and”.

(3) DISREGARD OF INSTALLMENT ACCELERATION AMOUNTS IN DETERMINING QUARTERLY CONTRIBUTIONS.—Section 303(j)(3) of such Act (29 U.S.C. 1083(j)(3)) is amended by adding at the end the following new subparagraph:

“(F) DISREGARD OF INSTALLMENT ACCELERATION AMOUNTS.—Subparagraph (D) shall be applied without regard to any increase under subsection (c)(2)(F).”.

(4) CONFORMING AMENDMENT.—Section 303(c)(1) of such Act (29 U.S.C. 1083(c)(1)) is amended by striking “the shortfall amortization bases for such plan year and each of the 6 preceding plan years” and inserting “any shortfall amortization base which has not been fully amortized under this subsection”.

(b) IRC AMENDMENTS.—

(1) IN GENERAL.—Section 430(c)(2) of the Internal Revenue Code of 1986 is amended by adding at the end the following subparagraphs:

“(D) SPECIAL RULE.—

“(i) IN GENERAL.—In the case of the shortfall amortization base of a plan for any applicable plan year, the shortfall amortization installments are the amounts described in clause (ii) or (iii), if made applicable by an election under clause (iv). In the absence of a timely election, such installments shall be determined without regard to this subparagraph.

“(ii) 2 PLUS 7 AMORTIZATION SCHEDULE.—The shortfall amortization installments described in this clause are—

“(I) in the case of the first 2 plan years in the 9-plan-year period beginning with the applicable plan year, interest on the shortfall amortization base (determined by using the effective interest rate for the applicable plan year), and

“(II) in the case of the last 7 plan years in such 9-plan-year period, the amounts necessary to amortize the balance of such shortfall amortization base in level annual installments over such last 7

plan years (determined using the segment rates determined under subparagraph (C) of subsection (h)(2) for the applicable plan year, applied under rules similar to the rules of subparagraph (B) of subsection (h)(2)).

“(iii) 15-YEAR AMORTIZATION.—The shortfall amortization installments described in this clause are the amounts under subparagraphs (A) and (B) determined by substituting ‘15 plan-year period’ for ‘7-plan-year period’.

“(iv) ELECTION.—

“(I) IN GENERAL.—The plan sponsor may, with respect to a plan, elect, with respect to any of not more than 2 applicable plan years, to determine shortfall amortization installments under this subparagraph. An election under either clause (ii) or clause (iii) may be made with respect to either of such applicable plan years.

“(II) ELIGIBILITY FOR ELECTION.—An election may be made to determine shortfall amortization installments under this subparagraph with respect to a plan only if, as of the date of the election—

“(aa) the plan sponsor is not a debtor in a case under title 11, United States Code, or similar Federal or State law,

“(bb) there are no unpaid minimum required contributions with respect to the plan for purposes of section 4971,

“(cc) there is no lien in favor of the plan under subsection (k) or under section 303(k) of the Employee Retirement Income Security Act of 1974, and

“(dd) a distress termination has not been initiated for the plan under section 4041(c) of such Act.

“(III) RULES RELATING TO ELECTION.—Such election shall be made at such times, and in such form and manner, as shall be prescribed by the Secretary and shall be irrevocable, except under such limited circumstances, and subject to such conditions, as the Secretary may prescribe.

“(E) APPLICABLE PLAN YEAR.—

“(i) IN GENERAL.—For purposes of this paragraph, the term ‘applicable plan year’ means, subject to the election of the plan sponsor under subparagraph (D)(iv), each of not more than 2 of the plan years beginning in 2008, 2009, 2010, or 2011.

“(ii) SPECIAL RULE RELATING TO 2008.—A plan year may be elected as an applicable plan year pursuant to this subparagraph only if the due date under subsection (j)(1) for the payment of the minimum required contribution for such plan year occurs on or after March 10, 2010.

“(F) INCREASES IN SHORTFALL AMORTIZATION INSTALLMENTS IN CASES OF EXCESS COMPENSATION OR CERTAIN DIVIDENDS OR STOCK REDEMPTIONS.—

“(i) IN GENERAL.—If, with respect to an election for an applicable plan year under subparagraph (D), there is an installment acceleration amount with respect to a plan for any plan year in the restriction period (or if there is an installment acceleration amount carried forward to a plan year not in the restriction period), then the shortfall amortization installment otherwise determined and payable under this paragraph for such plan year shall be increased by such amount.

“(ii) BACK-END ADJUSTMENT TO AMORTIZATION SCHEDULE.—Subject to rules prescribed by the Secretary, if a shortfall amortization installment with respect to any shortfall amortization base for an applicable plan year is required to be increased for any plan year under clause (i), subsequent shortfall amortization installments with respect to such base shall be reduced, in reverse order of the otherwise required installments beginning with the final scheduled installment, to the extent necessary to limit the present value of such subsequent shortfall amortization installments (after application of this subparagraph) to the present value of the remaining unamortized shortfall amortization base.

“(iii) INSTALLMENT ACCELERATION AMOUNT.—For purposes of this subparagraph—

“(I) IN GENERAL.—The term ‘installment acceleration amount’ means, with respect to any plan year in a restriction period with respect to an applicable plan year, the sum of—

“(aa) the aggregate amount of excess employee compensation determined under clause (iv) for the plan year, plus

“(bb) the dividend and redemption amount determined under clause (v) for the plan year.

“(II) CUMULATIVE LIMITATION.—The installment acceleration amount for any plan year shall not exceed the excess (if any) of—

“(aa) the sum of the shortfall amortization installments for the plan year and all preceding plan years in the amortization period elected under subparagraph (D) with respect to the shortfall amortization base with respect to an applicable year, determined without regard to subparagraph (D) and this subparagraph, over

“(bb) the sum of the shortfall amortization installments for such plan year and all such preceding plan years, determined after application of subparagraph (D) (and in the case of any preceding plan year, after application of this subparagraph).

“(III) CARRYOVER OF EXCESS INSTALLMENT ACCELERATION AMOUNTS.—

“(aa) IN GENERAL.—If the installment acceleration amount for any plan year (determined without regard to subclause (II)) exceeds the limitation under subclause (II), then, subject to item (bb), such excess shall be treated as an installment acceleration amount for the succeeding plan year.

“(bb) CAP TO APPLY.—If any amount treated as an installment acceleration amount under item (aa) or this item with respect any succeeding plan year, when added to other installment acceleration amounts (determined without regard to subclause (II)) with respect to the plan year, exceeds the limitation under subclause (II), the portion of such amount representing such excess shall be treated as an installment acceleration amount with respect to the next succeeding plan year.

“(cc) LIMITATION ON YEARS TO WHICH AMOUNTS CARRIED FORWARD.—No amount shall be carried forward under item (aa) or (bb) to a plan year which begins after the last plan year in the restriction period (or after the second plan year following such last plan year in the case of an election year with respect to which 15-year amortization was elected under subparagraph (D)(iii)).

“(dd) ORDERING RULES.—For purposes of applying item (bb), installment acceleration amounts for the plan year (determined without regard to any carryover under this clause) shall be applied first against the limitation under subclause (II) and then carryovers to such plan year shall be applied against such limitation on a first-in, first-out basis.

“(iv) EXCESS EMPLOYEE COMPENSATION.—

“(I) IN GENERAL.—For purposes of this paragraph, the term ‘excess employee compensation’ means the sum of—

“(aa) with respect to any employee, for any plan year, the excess (if any) of—

“(AA) the aggregate amount includible in income under chapter 1 for remuneration during the calendar year in which such plan year begins for services performed by the employee for the plan sponsor (whether or not performed during such calendar year), over

“(BB) \$1,000,000, plus

“(bb) the amount of assets set aside or reserved (directly or indirectly) in a trust (or other arrangement as determined by the Secretary), or transferred to such a trust or other

arrangement, during the calendar year by a plan sponsor for purposes of paying deferred compensation of an employee under a non-qualified deferred compensation plan (as defined in section 409A) of the plan sponsor.

“(II) NO DOUBLE COUNTING.—No amount shall be taken into account under subclause (I) more than once.

“(III) EMPLOYEE; REMUNERATION.—For purposes of this clause, the term ‘employee’ includes, with respect to a calendar year, a self-employed individual who is treated as an employee under section 401(c) for the taxable year ending during such calendar year, and the term ‘remuneration’ shall include earned income of such an individual.

“(IV) CERTAIN PAYMENTS UNDER EXISTING CONTRACTS.—There shall not be taken into account under subclause (I) any remuneration consisting of nonqualified deferred compensation, restricted stock (or restricted stock units), stock options, or stock appreciation rights payable or granted under a written binding contract that was in effect on March 1, 2010, and which was not modified in any material respect before such remuneration is paid.

“(V) ONLY REMUNERATION FOR POST-2009 SERVICES COUNTED.—Remuneration shall be taken into account under subclause (I)(aa) only to the extent attributable to services performed by the employee for the plan sponsor after December 31, 2009.

“(VI) COMMISSIONS.—

“(aa) IN GENERAL.—There shall not be taken into account under subclause (I)(aa) any remuneration payable on a commission basis solely on account of income directly generated by the individual performance of the individual to whom such remuneration is payable.

“(bb) SPECIFIED EMPLOYEES.—Item (aa) shall not apply in the case of any specified employee (within the meaning of section 409A(a)(2)(B)(i)) or any employee who would be such a specified employee if the plan sponsor were a corporation described in such section.

“(VII) INDEXING OF AMOUNT.—In the case of any calendar year beginning after 2010, the dollar amount under subclause (I)(aa)(BB) shall be increased by an amount equal to—

“(aa) such dollar amount, multiplied by

“(bb) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year, determined by substituting ‘calendar year 2009’ for ‘calendar year 1992’ in subparagraph (B) thereof.

If the amount of any increase under clause (i) is not a multiple of \$20,000, such increase shall be rounded to the next lowest multiple of \$20,000.

“(v) CERTAIN DIVIDENDS AND REDEMPTIONS.—

“(I) IN GENERAL.—The dividend and redemption amount determined under this clause for any plan year is the lesser of—

“(aa) the excess of—

“(AA) the sum of the dividends paid during the plan year by the plan sponsor, plus the amounts paid for the redemption of stock of the plan sponsor redeemed during the plan year, over

“(BB) an amount equal to the average of adjusted annual net income of the plan sponsor for the last 5 fiscal years of the plan sponsor ending before such plan year, or

“(bb) the sum of—

“(AA) the amounts paid for the redemption of stock of the plan sponsor redeemed during the plan year, plus

“(BB) the excess of dividends paid during the plan year by the plan sponsor over the dividend base amount.

“(II) DEFINITIONS.—

“(aa) ADJUSTED ANNUAL NET INCOME.—For purposes of subclause (I)(aa)(BB), the term ‘adjusted annual net income’ with respect to any fiscal year means annual net income, determined in accordance with generally accepted accounting principles (before after-tax gain or loss on any sale of assets), but without regard to any reduction by reason of depreciation or amortization, except that in no event shall adjusted annual net income for any fiscal year be less than zero.

“(bb) DIVIDEND BASE AMOUNT.—For purposes of this clause, the term ‘dividend base amount’ means, with respect to a plan year, an amount equal to the greater of—

“(AA) the median of the amounts of the dividends paid during each of the last 5 fiscal years of the plan sponsor ending before such plan year, or

“(BB) the amount of dividends paid during such plan year on preferred stock that was issued on or before May 21, 2010, or that is replacement stock for such preferred stock.

“(III) ONLY CERTAIN POST-2009 DIVIDENDS AND REDEMPTIONS COUNTED.—For purposes of subclause (I) (other than for purposes of calculating the dividend base amount), there shall only be

taken into account dividends declared, and redemptions occurring, after February 28, 2010.

“(IV) EXCEPTION FOR INTRA-GROUP DIVIDENDS.—Dividends paid by one member of a controlled group (as defined in section 412(d)(3)) to another member of such group shall not be taken into account under subclause (I).

“(V) EXCEPTION FOR STOCK DIVIDENDS.—Any distribution by the plan sponsor to its shareholders of stock issued by the plan sponsor shall not be taken into account under subclause (I).

“(VI) EXCEPTION FOR CERTAIN REDEMPTIONS.—Redemptions of securities which are not readily tradable on an established securities market which—

“(aa) are made pursuant to a plan which is qualified under section 401 or a shareholder-approved program,

“(bb) are made on account of an employee’s termination of employment with the plan sponsor, or the death or disability of a shareholder, or

“(cc) were, immediately before redemption, held directly or indirectly by, or for the benefit of, the Federal Government or a Federal reserve bank,

shall not be taken into account under subclause (I).

“(vi) OTHER DEFINITIONS AND RULES.—For purposes of this subparagraph—

“(I) PLAN SPONSOR.—The term ‘plan sponsor’ includes any group of which the plan sponsor is a member and which is treated as a single employer under subsection (b), (c), (m), or (o) of section 414.

“(II) RESTRICTION PERIOD.—The term ‘restriction period’ means, with respect to any applicable plan year with respect to which an election is made under subparagraph (D)—

“(aa) except as provided in item (bb), the 3-year period beginning with the applicable plan year (or, if later, the first plan year beginning after December 31, 2009), or

“(bb) if the plan sponsor elects 15-year amortization for the shortfall amortization base for the applicable plan year, the 5-year period beginning with such plan year (or, if later, the first plan year beginning after December 31, 2009).

“(III) ELECTIONS FOR MULTIPLE PLANS.—If a plan sponsor makes elections under subparagraph (D) with respect to 2 or more plans, the Secretary shall provide rules for the application of this subparagraph to such plans, including rules for the ratable allocation of any installment acceleration amount among such plans on the basis of each

plan's relative reduction in the plan's shortfall amortization installment for the first plan year in the amortization period described in clause (i) (determined without regard to this subparagraph).

“(G) MERGERS AND ACQUISITIONS.—The Secretary shall prescribe rules for the application of subparagraphs (D) and (F) in any case where there is a merger or acquisition involving a plan sponsor making the election under subparagraph (D).

“(H) REGULATIONS AND GUIDANCE.—The Secretary may prescribe such regulations and other guidance of general applicability as the Secretary may determine necessary to achieve the purposes of subparagraphs (D) and (F).”.

(2) NOTICE REQUIREMENT.—

(A) IN GENERAL.—Section 4980F of such Code is amended—

(i) by striking “subsection (e)” each place it appears in subsection (a) and paragraphs (1) and (3) of subsection (c) and inserting “subsections (e) and (f)”,

(ii) by striking “subsection (e)” in subsection (c)(2)(A) and inserting “subsection (e), (f), or both, as the case may be”, and

(iii) by redesignating subsection (f) as subsection (g) and by inserting after subsection (e) the following new subsection:

“(f) NOTICE IN CONNECTION WITH SHORTFALL AMORTIZATION ELECTION.—

“(1) IN GENERAL.—Not later 30 days after the date of an election under clause (iv) of section 430(c)(2)(D) in connection with a plan, the plan administrator shall provide notice of such election in accordance with this subsection to each plan participant and beneficiary, each labor organization representing such participants and beneficiaries, and the Pension Benefit Guaranty Corporation.

“(2) MATTERS INCLUDED IN NOTICE.—Each notice provided pursuant to this subsection shall set forth—

“(A) a statement that recently enacted legislation permits employers to delay pension funding;

“(B) with respect to required contributions—

“(i) the amount of contributions that would have been required had the election not been made;

“(ii) the amount of the reduction in required contributions for the applicable plan year that occurs on account of the election; and

“(iii) the number of plan years to which such reduction will apply;

“(C) with respect to a plan's funding status as of the end of the plan year preceding the applicable plan year—

“(i) the liabilities determined under section 4010(d)(1)(A) of the Employee Retirement Income Security Act of 1974; and

“(ii) the market value of assets of the plan; and

“(D) with respect to installment acceleration amounts (as defined in section 430(c)(2)(F)(iii)(I))—

“(i) an explanation of section 430(c)(2)(F) (relating to increases in shortfall amortization installments in cases of excess compensation or certain dividends or stock redemptions); and

“(ii) a statement that increases in required contributions may occur in the event of future payments of excess employee compensation or certain share repurchasing or dividend activity and that subsequent notices of any such payments or activity will be provided in the annual funding notice provided pursuant to section 101(f) of the Employee Retirement Income Security Act of 1974.

**“(3) OTHER REQUIREMENTS.—**

**“(A) FORM.—**The notice required by paragraph (1) shall be written in a manner calculated to be understood by the average plan participant and shall provide sufficient information (as determined in accordance with regulations or other guidance of general applicability prescribed by the Secretary) to allow plan participants and beneficiaries to understand the effect of the election. The Secretary shall prescribe a model notice that a plan administrator may use to satisfy the requirements of paragraph (1).

**“(B) PROVISION TO DESIGNATED PERSONS.—**Any notice under paragraph (1) may be provided to a person designated, in writing, by the person to which it would otherwise be provided.”

**(B) CONFORMING AMENDMENT.—**Subsection (g) of section 4980F of such Code is amended by inserting “or (f)” after “subsection (e)”.

**(3) DISREGARD OF INSTALLMENT ACCELERATION AMOUNTS IN DETERMINING QUARTERLY CONTRIBUTIONS.—**Section 430(j)(3) of such Code is amended by adding at the end the following new subparagraph:

**“(F) DISREGARD OF INSTALLMENT ACCELERATION AMOUNTS.—**Subparagraph (D) shall be applied without regard to any increase under subsection (c)(2)(F).”

**(4) CONFORMING AMENDMENT.—**Paragraph (1) of section 430(c) of such Code is amended by striking “the shortfall amortization bases for such plan year and each of the 6 preceding plan years” and inserting “any shortfall amortization base which has not been fully amortized under this subsection”.

**(c) EFFECTIVE DATE.—**The amendments made by this section shall apply to plan years beginning after December 31, 2007.

**SEC. 302. APPLICATION OF EXTENDED AMORTIZATION PERIOD TO PLANS SUBJECT TO PRIOR LAW FUNDING RULES.**

**(a) IN GENERAL.—**Title I of the Pension Protection Act of 2006 is amended by redesignating section 107 as section 108 and by inserting the following after section 106:

**“SEC. 107. APPLICATION OF FUNDING RELIEF TO PLANS WITH DELAYED EFFECTIVE DATE.**

**“(a) ALTERNATIVE ELECTIONS.—**

**“(1) IN GENERAL.—**Subject to this section, a plan sponsor of a plan to which section 104, 105, or 106 of this Act applies may either elect the application of subsection (b) with respect to the plan for not more than 2 applicable plan years or elect the ap-

plication of subsection (c) with respect to the plan for 1 applicable plan year.

“(2) ELIGIBILITY FOR ELECTIONS.—An election may be made by a plan sponsor under paragraph (1) with respect to a plan only if at the time of the election—

“(A) the plan sponsor is not a debtor in a case under title 11, United States Code, or similar Federal or State law,

“(B) there are no accumulated funding deficiencies (as defined in section 302(a)(2) of the Employee Retirement Income Security Act of 1974 (as in effect immediately before the enactment of this Act) or in section 412(a) of the Internal Revenue Code of 1986 (as so in effect)) with respect to the plan,

“(C) there is no lien in favor of the plan under section 302(d) (as so in effect) or under section 412(n) of such Code (as so in effect), and

“(D) a distress termination has not been initiated for the plan under section 4041(c) of the Employee Retirement Income Security Act of 1974.

“(b) ALTERNATIVE ADDITIONAL FUNDING CHARGE.—If the plan sponsor elects the application of this subsection with respect to the plan, for purposes of applying section 302(d) of the Employee Retirement Income Security Act of 1974 (as in effect before the amendments made by this subtitle and subtitle B) and section 412(l) of the Internal Revenue Code of 1986 (as so in effect)—

“(1) the deficit reduction contribution under paragraph (2) of such section 302(d) and paragraph (2) of such section 412(l) for such plan for any applicable plan year, shall be zero, and

“(2) the additional funding charge under paragraph (1) of such section 302(d) and paragraph (1) of such section 412(l) for such plan for any applicable plan year shall be increased by an amount equal to the installment acceleration amount (as defined in sections 303(c)(2)(F)(iii)(I) of such Act (as amended by the American Jobs and Closing Tax Loopholes Act of 2010) and 430(c)(2)(F)(iii)(I) of such Code (as so amended)) with respect to the plan sponsor for such plan year, determined by treating the later of such plan year or the first plan year beginning after December 31, 2009, as the restriction period.

“(c) APPLICATION OF 15-YEAR AMORTIZATION.—If the plan sponsor elects the application of this subsection with respect to the plan, for purposes of applying section 302(d) of such Act (as in effect before the amendments made by this subtitle and subtitle B) and section 412(l) of such Code (as so in effect)—

“(1) in the case of the increased unfunded new liability of the plan, the applicable percentage described in paragraph (4)(C) of such section 302(d) and paragraph (4)(C) of such section 412(l) for any pre-effective date plan year beginning with or after the applicable plan year shall be the ratio of—

“(A) the annual installments payable in each plan year if the increased unfunded new liability for such plan year were amortized in equal installments over the period beginning with such plan year and ending with the last plan year in the period of 15 plan years beginning with the applicable plan year, using an interest rate equal to the third

segment rate described in sections 104(b), 105(b), and 106(b) of this Act, to

“(B) the increased unfunded new liability for such plan year,

“(2) in the case of the excess of the unfunded new liability over the increased unfunded new liability, such applicable percentage shall be determined without regard to this section, and

“(3) the additional funding charge with respect to the plan for a plan year shall be increased by an amount equal to the installment acceleration amount (as defined in section 303(c)(2)(F)(iii) of such Act (as amended by the American Jobs and Closing Tax Loopholes Act of 2010 and section 430(c)(2)(F)(iii) of such Code (as so amended)) with respect to the plan sponsor for such plan year, determined without regard to subclause (II) of such sections 303(c)(2)(F)(iii) and 430(c)(2)(F)(iii).

“(d) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

“(1) APPLICABLE PLAN YEAR.—

“(A) IN GENERAL.—The term ‘applicable plan year’ with respect to a plan means, subject to the election of the plan sponsor under subsection (a), a plan year beginning in 2009, 2010, or 2011.

“(B) ELECTION.—

“(i) IN GENERAL.—The election described in subsection (a) shall be made at such times, and in such form and manner, as shall be prescribed by the Secretary of the Treasury.

“(ii) REDUCTION IN YEARS WHICH MAY BE ELECTED.—The number of applicable plan years for which an election may be made under section 303(c)(2)(D) of the Employee Retirement Income Security Act of 1974 (as amended by the American Jobs and Closing Tax Loopholes Act of 2010) or section 430(c)(2)(D) of the Internal Revenue Code of 1986 (as so amended) shall be reduced by the number of applicable plan years for which an election under this section is made.

“(C) ALLOCATION OF INSTALLMENT ACCELERATION AMOUNT FOR MULTIPLE PLAN ELECTION.—In the case of an election under this section with respect to 2 or more plans by the same plan sponsor, the installment acceleration amount shall be apportioned ratably with respect to such plans in proportion to the deficit reduction contributions of the plans determined without regard to subsection (b)(1).

“(2) PLAN SPONSOR.—The term ‘plan sponsor’ shall have the meaning provided such term in section 303(c)(2)(F)(vi)(I) of the Employee Retirement Income Security Act of 1974 (as amended by the American Jobs and Closing Tax Loopholes Act of 2010) and section 430(c)(2)(F)(vi)(I) of the Internal Revenue Code of 1986 (as so amended).

“(3) PRE-EFFECTIVE DATE PLAN YEAR.—The term ‘pre-effective date plan year’ means, with respect to a plan, any plan year prior to the first year in which the amendments made by this subtitle and subtitle B apply to the plan.

“(4) INCREASED UNFUNDED NEW LIABILITY.—The term ‘increased unfunded new liability’ means, with respect to a year, the excess (if any) of the unfunded new liability over the amount of unfunded new liability determined as if the value of the plan’s assets determined under subsection 302(c)(2) of such Act (as in effect before the amendments made by this subtitle and subtitle B) and section 412(c)(2) of such Code (as so in effect) equaled the product of the current liability of the plan for the year multiplied by the funded current liability percentage (as defined in section 302(d)(8)(B) of such Act (as so in effect) and 412(l)(8)(B) of such Code (as so in effect)) of the plan for the second plan year preceding the first applicable plan year of such plan for which an election under this section is made.

“(5) OTHER DEFINITIONS.—The terms ‘unfunded new liability’ and ‘current liability’ shall have the meanings set forth in section 302(d) of such Act (as so in effect) and section 412(l) of such Code (as so in effect).

“(6) ADDITIONAL FUNDING CHARGE INCREASE NOT TO EXCEED RELIEF.—

“(A) ELECTION UNDER SUBSECTION (B).—In the case of an election under subsection (b), an increase resulting from the application of subsection (b)(2) in the additional funding charge with respect to a plan for a plan year shall not exceed the excess (if any) of—

“(i) the deficit reduction contribution under section 302(d)(2) of such Act (as so in effect) and section 412(l)(2) of such Code (as so in effect) for such plan year, determined as if the election had not been made, over

“(ii) the deficit reduction contribution under such sections for such plan (determined without regard to any increase under subsection (b)(2)).

“(B) ELECTION UNDER SUBSECTION (C).—An increase resulting from the application of subsection (c)(3) in the additional funding charge with respect to a plan for a plan year shall not exceed the excess (if any) of—

“(i) the sum of the deficit reduction contributions under section 302(d)(2) of such Act (as so in effect) and section 412(l)(2) of such Code (as so in effect) for such plan for such plan year and for all preceding plan years beginning with or after the applicable plan year, determined as if the election had not been made, over

“(ii) the sum of the deficit reduction contributions under such sections for such plan years (determined without regard to any increase under subsection (c)(3)).

“(e) NOTICE.—Not later 30 days after the date of an election under subsection (a) in connection with a plan, the plan administrator shall provide notice pursuant to, and subject to, rules similar to the rules of sections 204(k) of the Employee Retirement Income Security Act of 1974 (as amended by the American Jobs and Closing Tax Loopholes Act of 2010) and 4980F(f) of the Internal Revenue Code of 1986 (as so amended).”.

(b) ELIGIBLE CHARITY PLANS.—Section 104 of such Act is amended—

(1) by striking “eligible cooperative plan” wherever it appears in subsections (a) and (b) and inserting “eligible cooperative plan or an eligible charity plan”, and

(2) by adding at the end the following new subsection:

“(d) ELIGIBLE CHARITY PLAN DEFINED.—For purposes of this section, a plan shall be treated as an eligible charity plan for a plan year if—

“(1) the plan is maintained by one or more employers employing employees who are accruing benefits based on service for the plan year,

“(2) such employees are employed in at least 40 States,

“(3) each such employee (other than a de minimis number of employees) is employed by an employer described in section 501(c)(3) of such Code and the primary exempt purpose of each such employer is to provide services with respect to children, and

“(4) the plan sponsor elects (at such time and in such form and manner as shall be prescribed by the Secretary of the Treasury) to be so treated.

Any election under this subsection may be revoked only with the consent of the Secretary of the Treasury.”.

(c) REGULATIONS.—The Secretary of the Treasury may prescribe such regulations as may be necessary to carry out the purposes of the amendments made by this section.

(d) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendment made by subsection (a) shall apply to plan years beginning on or after January 1, 2009.

(2) ELIGIBLE CHARITY PLANS.—The amendments made by subsection (b) shall apply to plan years beginning after December 31, 2009.

### SEC. 303. SUSPENSION OF CERTAIN FUNDING LEVEL LIMITATIONS.

(a) LIMITATIONS ON BENEFIT ACCRUALS.—Section 203 of the Worker, Retiree, and Employer Recovery Act of 2008 (Public Law 110-458; 122 Stat. 5118) is amended—

(1) by striking “the first plan year beginning during the period beginning on October 1, 2008, and ending on September 30, 2009” and inserting “any plan year beginning during the period beginning on October 1, 2008, and ending on December 31, 2011”;

(2) by striking “substituting” and all that follows through “for such plan year” and inserting “substituting for such percentage the plan’s adjusted funding target attainment percentage for the last plan year ending before September 30, 2009,”; and

(3) by striking “for the preceding plan year is greater” and inserting “for such last plan year is greater”.

(b) SOCIAL SECURITY LEVEL-INCOME OPTIONS.—

(1) ERISA AMENDMENT.—Section 206(g)(3)(E) of the Employee Retirement Income Security Act of 1974 is amended by adding at the end the following new sentence: “For purposes of applying clause (i) in the case of payments the annuity starting date for which occurs on or before December 31, 2011, payments under a social security leveling option shall be treated as not in excess of the monthly amount paid under a single life

annuity (plus an amount not in excess of a social security supplement described in the last sentence of section 204(b)(1)(G)).”.

(2) IRC AMENDMENT.—Section 436(d)(5) of the Internal Revenue Code of 1986 is amended by adding at the end the following new sentence: “For purposes of applying subparagraph (A) in the case of payments the annuity starting date for which occurs on or before December 31, 2011, payments under a social security leveling option shall be treated as not in excess of the monthly amount paid under a single life annuity (plus an amount not in excess of a social security supplement described in the last sentence of section 411(a)(9)).”.

(3) EFFECTIVE DATE.—

(A) IN GENERAL.—The amendments made by this subsection shall apply to annuity payments the annuity starting date for which occurs on or after January 1, 2011.

(B) PERMITTED APPLICATION.—A plan shall not be treated as failing to meet the requirements of sections 206(g) of the Employee Retirement Income Security Act of 1974 (as amended by this subsection) and section 436(d) of the Internal Revenue Code of 1986 (as so amended) if the plan sponsor elects to apply the amendments made by this subsection to payments the annuity starting date for which occurs on or after the date of the enactment of this Act and before January 1, 2011.

(c) APPLICATION OF CREDIT BALANCE WITH RESPECT TO LIMITATIONS ON SHUTDOWN BENEFITS AND UNPREDICTABLE CONTINGENT EVENT BENEFITS.—With respect to plan years beginning on or before December 31, 2011, in applying paragraph (5)(C) of subsection (g) of section 206 of the Employee Retirement Income Security Act of 1974 and subsection (f)(3) of section 436 of the Internal Revenue Code of 1986 in the case of unpredictable contingent events (within the meaning of section 206(g)(1)(C) of such Act and section 436(b)(3) of such Code) occurring on or after January 1, 2010, the references, in clause (i) of such paragraph (5)(C) and subparagraph (A) of such subsection (f)(3), to paragraph (1)(B) of such subsection (g) and subsection (b)(2) of such section 436 shall be disregarded.

**SEC. 304. LOOKBACK FOR CREDIT BALANCE RULE.**

(a) AMENDMENT TO ERISA.—Paragraph (3) of section 303(f) of the Employee Retirement Income Security Act of 1974 is amended by adding the following at the end thereof:

“(D) SPECIAL RULE FOR CERTAIN PLAN YEARS.—

“(i) IN GENERAL.—For purposes of applying subparagraph (C) for plan years beginning after June 30, 2009, and on or before December 31, 2011, the ratio determined under such subparagraph for the preceding plan year shall be the greater of—

“(I) such ratio, as determined without regard to this subparagraph, or

“(II) the ratio for such plan for the plan year beginning after June 30, 2007, and on or before June 30, 2008, as determined under rules prescribed by the Secretary of the Treasury.

“(ii) SPECIAL RULE.—In the case of a plan for which the valuation date is not the first day of the plan year—

“(I) clause (i) shall apply to plan years beginning after December 31, 2008, and on or before December 31, 2010, and

“(II) clause (i)(II) shall apply based on the last plan year beginning before July 1, 2007, as determined under rules prescribed by the Secretary of the Treasury.”.

(b) AMENDMENT TO INTERNAL REVENUE CODE OF 1986.—Paragraph (3) of section 430(f) of the Internal Revenue Code of 1986 is amended by adding the following at the end thereof:

“(D) SPECIAL RULE FOR CERTAIN PLAN YEARS.—

“(i) IN GENERAL.—For purposes of applying subparagraph (C) for plan years beginning after June 30, 2009, and on or before December 31, 2011, the ratio determined under such subparagraph for the preceding plan year shall be the greater of—

“(I) such ratio, as determined without regard to this subparagraph, or

“(II) the ratio for such plan for the plan year beginning after June 30, 2007, and on or before June 30, 2008, as determined under rules prescribed by the Secretary.

“(ii) SPECIAL RULE.—In the case of a plan for which the valuation date is not the first day of the plan year—

“(I) clause (i) shall apply to plan years beginning after December 31, 2008, and on or before December 31, 2010, and

“(II) clause (i)(II) shall apply based on the last plan year beginning before July 1, 2007, as determined under rules prescribed by the Secretary.”.

**SEC. 305. INFORMATION REPORTING.**

(a) IN GENERAL.—Section 4010(b) of the Employee Retirement Security Act of 1974 (29 U.S.C. 1310(b)) is amended by striking paragraph (1) and inserting the following:

“(1) either of the following requirements are met:

“(A) the funding target attainment percentage (as defined in subsection (d)(2)(B)) at the end of the preceding plan year of a plan maintained by the contributing sponsor or any member of its controlled group is less than 80 percent; or

“(B) the aggregate unfunded vested benefits (as determined under section 4006(a)(3)(E)(iii)) of plans maintained by the contributing sponsor and the members of its controlled group exceed \$75,000,000 (disregarding plans with no unfunded vested benefits);”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to years beginning after 2009.

**SEC. 306. ROLLOVER OF AMOUNTS RECEIVED IN AIRLINE CARRIER BANKRUPTCY.**

(a) GENERAL RULES.—

(1) ROLLOVER OF AIRLINE PAYMENT AMOUNT.—If a qualified airline employee receives any airline payment amount and transfers any portion of such amount to a traditional IRA within 180 days of receipt of such amount (or, if later, within 180 days of the date of the enactment of this Act), then such amount (to the extent so transferred) shall be treated as a rollover contribution described in section 402(c) of the Internal Revenue Code of 1986. A qualified airline employee making such a transfer may exclude from gross income the amount transferred, in the taxable year in which the airline payment amount was paid to the qualified airline employee by the commercial passenger airline carrier.

(2) TRANSFER OF AMOUNTS ATTRIBUTABLE TO AIRLINE PAYMENT AMOUNT FOLLOWING ROLLOVER TO ROTH IRA.—A qualified airline employee who has contributed an airline payment amount to a Roth IRA that is treated as a qualified rollover contribution pursuant to section 125 of the Worker, Retiree, and Employer Recovery Act of 2008 may transfer to a traditional IRA, in a trustee-to-trustee transfer, all or any part of the contribution (together with any net income allocable to such contribution), and the transfer to the traditional IRA will be deemed to have been made at the time of the rollover to the Roth IRA, if such transfer is made within 180 days of the date of the enactment of this Act. A qualified airline employee making such a transfer may exclude from gross income the airline payment amount previously rolled over to the Roth IRA, to the extent an amount attributable to the previous rollover was transferred to a traditional IRA, in the taxable year in which the airline payment amount was paid to the qualified airline employee by the commercial passenger airline carrier. No amount so transferred to a traditional IRA may be treated as a qualified rollover contribution with respect to a Roth IRA within the 5-taxable year period beginning with the taxable year in which such transfer was made.

(3) EXTENSION OF TIME TO FILE CLAIM FOR REFUND.—A qualified airline employee who excludes an amount from gross income in a prior taxable year under paragraph (1) or (2) may reflect such exclusion in a claim for refund filed within the period of limitation under section 6511(a) (or, if later, April 15, 2011).

(b) TREATMENT OF AIRLINE PAYMENT AMOUNTS AND TRANSFERS FOR EMPLOYMENT TAXES.—For purposes of chapter 21 of the Internal Revenue Code of 1986 and section 209 of the Social Security Act, an airline payment amount shall not fail to be treated as a payment of wages by the commercial passenger airline carrier to the qualified airline employee in the taxable year of payment because such amount is excluded from the qualified airline employee's gross income under subsection (a).

(c) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

(1) AIRLINE PAYMENT AMOUNT.—

(A) IN GENERAL.—The term “airline payment amount” means any payment of any money or other property which is payable by a commercial passenger airline carrier to a qualified airline employee—

(i) under the approval of an order of a Federal bankruptcy court in a case filed after September 11, 2001, and before January 1, 2007, and

(ii) in respect of the qualified airline employee's interest in a bankruptcy claim against the carrier, any note of the carrier (or amount paid in lieu of a note being issued), or any other fixed obligation of the carrier to pay a lump sum amount.

The amount of such payment shall be determined without regard to any requirement to deduct and withhold tax from such payment under sections 3102(a) and 3402(a).

(B) EXCEPTION.—An airline payment amount shall not include any amount payable on the basis of the carrier's future earnings or profits.

(2) QUALIFIED AIRLINE EMPLOYEE.—The term “qualified airline employee” means an employee or former employee of a commercial passenger airline carrier who was a participant in a defined benefit plan maintained by the carrier which—

(A) is a plan described in section 401(a) of the Internal Revenue Code of 1986 which includes a trust exempt from tax under section 501(a) of such Code, and

(B) was terminated or became subject to the restrictions contained in paragraphs (2) and (3) of section 402(b) of the Pension Protection Act of 2006.

(3) TRADITIONAL IRA.—The term “traditional IRA” means an individual retirement plan (as defined in section 7701(a)(37) of the Internal Revenue Code of 1986) which is not a Roth IRA.

(4) ROTH IRA.—The term “Roth IRA” has the meaning given such term by section 408A(b) of such Code.

(d) SURVIVING SPOUSE.—If a qualified airline employee died after receiving an airline payment amount, or if an airline payment amount was paid to the surviving spouse of a qualified airline employee in respect of the qualified airline employee, the surviving spouse of the qualified airline employee may take all actions permitted under section 125 of the Worker, Retiree and Employer Recovery Act of 2008, or under this section, to the same extent that the qualified airline employee could have done had the qualified airline employee survived.

(e) EFFECTIVE DATE.—This section shall apply to transfers made after the date of the enactment of this Act with respect to airline payment amounts paid before, on, or after such date.

## PART 2—MULTIEMPLOYER PLANS

### SEC. 311. OPTIONAL USE OF 30-YEAR AMORTIZATION PERIODS.

(a) ELECTIVE SPECIAL RELIEF RULES.—

(1) ERISA AMENDMENT.—Section 304(b) of the Employee Retirement Income Security Act of 1974 is amended by adding at the end the following new paragraph:

“(8) ELECTIVE SPECIAL RELIEF RULES.—Notwithstanding any other provision of this subsection—

“(A) AMORTIZATION OF NET INVESTMENT LOSSES.—

“(i) IN GENERAL.—The plan sponsor of a multiemployer plan with respect to which the solvency test under subparagraph (B) is met may elect to treat the

portion of any experience loss or gain for a plan year that is attributable to the allocable portion of the net investment losses incurred in either or both of the first two plan years ending on or after June 30, 2008, as an experience loss separate from other experience losses or gains to be amortized in equal annual installments (until fully amortized) over the period—

“(I) beginning with the plan year for which the allocable portion is determined, and

“(II) ending with the last plan year in the 30-plan year period beginning with the plan year following the plan year in which such net investment loss was incurred.

“(ii) COORDINATION WITH EXTENSIONS.—If an election is made under clause (i) for any plan year—

“(I) no extension of the amortization period under clause (i) shall be allowed under subsection (d), and

“(II) if an extension was granted under subsection (d) for any plan year before the plan year for which the election under this subparagraph is made, such extension shall not result in such amortization period exceeding 30 years.

“(iii) DEFINITIONS AND RULES.—For purposes of this subparagraph—

“(I) NET INVESTMENT LOSSES.—

“(aa) IN GENERAL.—The net investment loss incurred by a plan in a plan year is equal to the excess of—

“(AA) the expected value of the assets as of the end of the plan year, over

“(BB) the market value of the assets as of the end of the plan year, including any difference attributable to a criminally fraudulent investment arrangement.

“(bb) EXPECTED VALUE.—For purposes of item (aa), the expected value of the assets as of the end of a plan year is the excess of—

“(AA) the market value of the assets at the beginning of the plan year plus contributions made during the plan year, over

“(BB) disbursements made during the plan year.

The amounts described in subitems (AA) and (BB) shall be adjusted with interest at the valuation rate to the end of the plan year.

“(II) CRIMINALLY FRAUDULENT INVESTMENT ARRANGEMENTS.—The determination as to whether an arrangement is a criminally fraudulent investment arrangement shall be made under rules substantially similar to the rules prescribed by the Secretary of the Treasury for purposes of section 165 of the Internal Revenue Code of 1986.

“(III) AMOUNT ATTRIBUTABLE TO ALLOCABLE PORTION OF NET INVESTMENT LOSS.—The amount attributable to the allocable portion of the net investment loss for a plan year shall be an amount equal to the allocable portion of net investment loss for the plan year under subclauses (IV) and (V), increased with interest at the valuation rate determined from the plan year after the plan year in which the net investment loss was incurred.

“(IV) ALLOCABLE PORTION OF NET INVESTMENT LOSSES.—Except as provided in subclause (V), the net investment loss incurred in a plan year shall be allocated among the 5 plan years following the plan year in which the investment loss is incurred in accordance with the following table:

“Plan year after the plan year in which the net investment loss was incurred	Allocable portion of net investment loss
1st .....	1/2
2nd .....	0
3rd .....	1/6
4th .....	1/6
5th .....	1/6

“(V) SPECIAL RULE FOR PLANS THAT ADOPT LONGER SMOOTHER PERIOD.—If a plan sponsor elects an extended smoothing period for its asset valuation method under subsection (c)(2)(B), then the allocable portion of net investment loss for the first two plan years following the plan year the investment loss is incurred is the same as determined under subclause (IV), but the remaining 1/2 of the net investment loss is allocated ratably over the period beginning with the third plan year following the plan year the net investment loss is incurred and ending with the last plan year in the extended smoothing period.

“(VI) SPECIAL RULE FOR OVERSTATEMENT OF LOSS.—If, for a plan year, there is an experience loss for the plan and the amount described in subclause (III) exceeds the total amount of the experience loss for the plan year, then the excess shall be treated as an experience gain.

“(VII) SPECIAL RULE IN YEARS FOR WHICH OVERALL EXPERIENCE IS GAIN.—If, for a plan year, there is no experience loss for the plan, then, in addition to amortization of net investment losses under clause (i), the amount described in subclause (III) shall be treated as an experience gain in addition to any other experience gain.

“(B) SOLVENCY TEST.—

“(i) IN GENERAL.—An election may be made under this paragraph if the election includes certification by the plan actuary in connection with the election that the plan is projected to have a funded percentage at the end of the first 15 plan years that is not less than 100 percent of the funded percentage for the plan year of the election.

“(ii) FUNDED PERCENTAGE.— For purposes of clause (i), the term ‘funded percentage’ has the meaning provided in section 305(i)(2), except that the value of the plan’s assets referred to in section 305(i)(2)(A) shall be the market value of such assets.

“(iii) ACTUARIAL ASSUMPTIONS.—In making any certification under this subparagraph, the plan actuary shall use the same actuarial estimates, assumptions, and methods as those applicable for the most recent certification under section 305, except that the plan actuary may take into account benefit reductions and increases in contribution rates, under either funding improvement plans adopted under section 305(c) or under section 432(c) of the Internal Revenue Code of 1986 or rehabilitation plans adopted under section 305(e) or under section 432(e) of such Code, that the plan actuary reasonably anticipates will occur without regard to any change in status of the plan resulting from the election.

“(C) ADDITIONAL RESTRICTION ON BENEFIT INCREASES.— If an election is made under subparagraph (A), then, in addition to any other applicable restrictions on benefit increases, a plan amendment which is adopted on or after March 10, 2010, and which increases benefits may not go into effect during the period beginning on such date and ending with the second plan year beginning after such date unless—

“(i) the plan actuary certifies that—

“(I) any such increase is paid for out of additional contributions not allocated to the plan immediately before the election to have this paragraph apply to the plan, and

“(II) the plan’s funded percentage and projected credit balances for the first 3 plan years ending on or after such date are reasonably expected to be at least as high as such percentage and balances would have been if the benefit increase had not been adopted, or

“(ii) the amendment is required as a condition of qualification under part I of subchapter D of chapter 1 of the Internal Revenue Code of 1986 or to comply with other applicable law.

“(D) TIME, FORM, AND MANNER OF ELECTION.—An election under this paragraph shall be made not later than June 30, 2011, and shall be made in such form and manner as the Secretary of the Treasury may prescribe.

“(E) REPORTING.—A plan sponsor of a plan to which this paragraph applies shall—

“(i) give notice of such election to participants and beneficiaries of the plan, and

“(ii) inform the Pension Benefit Guaranty Corporation of such election in such form and manner as the Pension Benefit Guaranty Corporation may prescribe.”.

(2) IRC AMENDMENT.—Section 431(b) of the Internal Revenue Code of 1986 is amended by adding at the end the following new paragraph:

“(8) ELECTIVE SPECIAL RELIEF RULES.—Notwithstanding any other provision of this subsection—

“(A) AMORTIZATION OF NET INVESTMENT LOSSES.—

“(i) IN GENERAL.—The plan sponsor of a multiemployer plan with respect to which the solvency test under subparagraph (B) is met may elect to treat the portion of any experience loss or gain for a plan year that is attributable to the allocable portion of the net investment losses incurred in either or both of the first two plan years ending on or after June 30, 2008, as an experience loss separate from other experience losses and gains to be amortized in equal annual installments (until fully amortized) over the period—

“(I) beginning with the plan year for which the allocable portion is determined, and

“(II) ending with the last plan year in the 30-plan year period beginning with the plan year following the plan year in which such net investment loss was incurred.

“(ii) COORDINATION WITH EXTENSIONS.—If an election is made under clause (i) for any plan year—

“(I) no extension of the amortization period under clause (i) shall be allowed under subsection (d), and

“(II) if an extension was granted under subsection (d) for any plan year before the plan year for which the election under this subparagraph is made, such extension shall not result in such amortization period exceeding 30 years.

“(iii) DEFINITIONS AND RULES.—For purposes of this subparagraph—

“(I) NET INVESTMENT LOSSES.—

“(aa) IN GENERAL.—The net investment loss incurred by a plan in a plan year is equal to the excess of—

“(AA) the expected value of the assets as of the end of the plan year, over

“(BB) the market value of the assets as of the end of the plan year, including any difference attributable to a criminally fraudulent investment arrangement.

“(bb) EXPECTED VALUE.—For purposes of item (aa), the expected value of the assets as of the end of a plan year is the excess of—

“(AA) the market value of the assets at the beginning of the plan year plus contributions made during the plan year, over

“(BB) disbursements made during the plan year.

The amounts described in subitems (AA) and (BB) shall be adjusted with interest at the valuation rate to the end of the plan year.

“(II) CRIMINALLY FRAUDULENT INVESTMENT ARRANGEMENTS.—The determination as to whether an arrangement is a criminally fraudulent investment arrangement shall be made under rules substantially similar to the rules prescribed by the Secretary for purposes of section 165.

“(III) AMOUNT ATTRIBUTABLE TO ALLOCABLE PORTION OF NET INVESTMENT LOSS.—The amount attributable to the allocable portion of the net investment loss for a plan year shall be an amount equal to the allocable portion of net investment loss for the plan year under subclauses (IV) and (V), increased with interest at the valuation rate determined from the plan year after the plan year in which the net investment loss was incurred.

“(IV) ALLOCABLE PORTION OF NET INVESTMENT LOSSES.—Except as provided in subclause (V), the net investment loss incurred in a plan year shall be allocated among the 5 plan years following the plan year in which the investment loss is incurred in accordance with the following table:

“Plan year after the plan year in which the net investment loss was incurred	Allocable portion of net investment loss
1st .....	1/2
2nd .....	0
3rd .....	1/6
4th .....	1/6
5th .....	1/6

“(V) SPECIAL RULE FOR PLANS THAT ADOPT LONGER SMOOTHER PERIOD.—If a plan sponsor elects an extended smoothing period for its asset valuation method under subsection (c)(2)(B), then the allocable portion of net investment loss for the first two plan years following the plan year the investment loss is incurred is the same as determined under subclause (IV), but the remaining 1/2 of the net investment loss is allocated ratably over the period beginning with the third plan year following the plan year the net investment loss is incurred and ending with the last plan year in the extended smoothing period.

“(VI) SPECIAL RULE FOR OVERSTATEMENT OF LOSS.—If, for a plan year, there is an experience loss for the plan and the amount described in subclause (III) exceeds the total amount of the experience loss for the plan year, then the excess shall be treated as an experience gain.

“(VII) SPECIAL RULE IN YEARS FOR WHICH OVERALL EXPERIENCE IS GAIN.—If, for a plan year, there is no experience loss for the plan, then, in addition to amortization of net investment losses under clause (i), the amount described in subclause (III)

shall be treated as an experience gain in addition to any other experience gain.

“(B) SOLVENCY TEST.—

“(i) IN GENERAL.—An election may be made under this paragraph if the election includes certification by the plan actuary in connection with the election that the plan is projected to have a funded percentage at the end of the first 15 plan years that is not less than 100 percent of the funded percentage for the plan year of the election.

“(ii) FUNDED PERCENTAGE.— For purposes of clause (i), the term ‘funded percentage’ has the meaning provided in section 432(i)(2), except that the value of the plan’s assets referred to in section 432(i)(2)(A) shall be the market value of such assets.

“(iii) ACTUARIAL ASSUMPTIONS.—In making any certification under this subparagraph, the plan actuary shall use the same actuarial estimates, assumptions, and methods as those applicable for the most recent certification under section 432, except that the plan actuary may take into account benefit reductions and increases in contribution rates, under either funding improvement plans adopted under section 432(c) or under section 305(c) of the Employee Retirement Income Security Act of 1974 or rehabilitation plans adopted under section 432(e) or under section 305(e) of such Act, that the plan actuary reasonably anticipates will occur without regard to any change in status of the plan resulting from the election.

“(C) ADDITIONAL RESTRICTION ON BENEFIT INCREASES.—

If an election is made under subparagraph (A), then, in addition to any other applicable restrictions on benefit increases, a plan amendment which is adopted on or after March 10, 2010, and which increases benefits may not go into effect during the period beginning on such date and ending with the second plan year beginning after such date unless—

“(i) the plan actuary certifies that—

“(I) any such increase is paid for out of additional contributions not allocated to the plan immediately before the election to have this paragraph apply to the plan, and

“(II) the plan’s funded percentage and projected credit balances for the first 3 plan years ending on or after such date are reasonably expected to be at least as high as such percentage and balances would have been if the benefit increase had not been adopted, or

“(ii) the amendment is required as a condition of qualification under part I or to comply with other applicable law.

“(D) TIME, FORM, AND MANNER OF ELECTION.—An election under this paragraph shall be made not later than June 30, 2011, and shall be made in such form and manner as the Secretary may prescribe.

“(E) REPORTING.—A plan sponsor of a plan to which this paragraph applies shall—

“(i) give notice of such election to participants and beneficiaries of the plan, and

“(ii) inform the Pension Benefit Guaranty Corporation of such election in such form and manner as the Pension Benefit Guaranty Corporation may prescribe.”.

(b) ASSET SMOOTHING FOR MULTIEMPLOYER PLANS.—

(1) ERISA AMENDMENT.—Section 304(c)(2) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1084(c)(2)) is amended—

(A) by redesignating subparagraph (B) as subparagraph (C); and

(B) by inserting after subparagraph (A) the following new subparagraph:

“(B) EXTENDED ASSET SMOOTHING PERIOD FOR CERTAIN INVESTMENT LOSSES.—The Secretary of the Treasury shall not treat the asset valuation method of a multiemployer plan as unreasonable solely because such method spreads the difference between expected and actual returns for either or both of the first 2 plan years ending on or after June 30, 2008, over a period of not more than 10 years. Any change in valuation method to so spread such difference shall be treated as approved, but only if, in the case that the plan sponsor has made an election under subsection (b)(8), any resulting change in asset value is treated for purposes of amortization as a net experience loss or gain.”.

(2) IRC AMENDMENT.—Section 431(c)(2) of the Internal Revenue Code of 1986 is amended—

(A) by redesignating subparagraph (B) as subparagraph (C); and

(B) by inserting after subparagraph (A) the following new subparagraph:

“(B) EXTENDED ASSET SMOOTHING PERIOD FOR CERTAIN INVESTMENT LOSSES.—The Secretary shall not treat the asset valuation method of a multiemployer plan as unreasonable solely because such method spreads the difference between expected and actual returns for either or both of the first 2 plan years ending on or after June 30, 2008, over a period of not more than 10 years. Any change in valuation method to so spread such difference shall be treated as approved, but only if, in the case that the plan sponsor has made an election under subsection (b)(8), any resulting change in asset value is treated for purposes of amortization as a net experience loss or gain.”.

(c) EFFECTIVE DATE AND SPECIAL RULES.—

(1) EFFECTIVE DATE.—The amendments made by this section shall take effect as of the first day of the first plan year beginning after June 30, 2008, except that any election a plan sponsor makes pursuant to this section or the amendments made thereby that affects the plan’s funding standard account for any plan year beginning before October 1, 2009, shall be disregarded for purposes of applying the provisions of section 305

of the Employee Retirement Income Security Act of 1974 and section 432 of the Internal Revenue Code of 1986 to that plan year.

(2) **DEEMED APPROVAL FOR CERTAIN FUNDING METHOD CHANGES.**—In the case of a multiemployer plan with respect to which an election has been made under section 304(b)(8) of the Employee Retirement Income Security Act of 1974 (as amended by this section) or section 431(b)(8) of the Internal Revenue Code of 1986 (as so amended)—

(A) any change in the plan’s funding method for a plan year beginning on or after July 1, 2008, and on or before December 31, 2010, from a method that does not establish a base for experience gains and losses to one that does establish such a base shall be treated as approved by the Secretary of the Treasury, and

(B) any resulting funding method change base shall be treated for purposes of amortization as a net experience loss or gain.

**SEC. 312. OPTIONAL LONGER RECOVERY PERIODS FOR MULTIEMPLOYER PLANS IN ENDANGERED OR CRITICAL STATUS.**

(a) **ERISA AMENDMENTS.**—

(1) **FUNDING IMPROVEMENT PERIOD.**—Section 305(c)(4) of the Employee Retirement Income Security Act of 1974 is amended—

(A) by redesignating subparagraphs (C) and (D) as subparagraphs (D) and (E), respectively; and

(B) by inserting after subparagraph (B) the following new subparagraph:

“(C) **ELECTION TO EXTEND PERIOD.**—The plan sponsor of an endangered or seriously endangered plan may elect to extend the applicable funding improvement period by up to 5 years, reduced by any extension of the period previously elected pursuant to section 205 of the Worker, Retiree and Employer Relief Act of 2008. Such an election shall be made not later than June 30, 2011, and in such form and manner as the Secretary of the Treasury may prescribe.”.

(2) **REHABILITATION PERIOD.**—Section 305(e)(4) of such Act is amended—

(A) by redesignating subparagraph (B) as subparagraph (C);

(B) in last sentence of subparagraph (A), by striking “subparagraph (B)” each place it appears and inserting “subparagraph (C)”; and

(C) by inserting after subparagraph (A) the following new subparagraph:

“(B) **ELECTION TO EXTEND PERIOD.**—The plan sponsor of a plan in critical status may elect to extend the rehabilitation period by up to five years, reduced by any extension of the period previously elected pursuant to section 205 of the Worker, Retiree and Employer Relief Act of 2008. Such an election shall be made not later than June 30, 2011, and in such form and manner as the Secretary of the Treasury may prescribe.”.

(b) **IRC AMENDMENTS.**—

(1) **FUNDING IMPROVEMENT PERIOD.**—Section 432(c)(4) of the Internal Revenue Code of 1986 is amended—

(A) by redesignating subparagraphs (C) and (D) as subparagraphs (D) and (E), respectively; and

(B) by inserting after subparagraph (B) the following new subparagraph:

“(C) **ELECTION TO EXTEND PERIOD.**—The plan sponsor of an endangered or seriously endangered plan may elect to extend the applicable funding improvement period by up to 5 years, reduced by any extension of the period previously elected pursuant to section 205 of the Worker, Retiree and Employer Relief Act of 2008. Such an election shall be made not later than June 30, 2011, and in such form and manner as the Secretary may prescribe.”

(2) **REHABILITATION PERIOD.**—Section 432(e)(4) of such Code is amended—

(A) by redesignating subparagraph (B) as subparagraph (C);

(B) in last sentence of subparagraph (A), by striking “subparagraph (B)” each place it appears and inserting “subparagraph (C)”; and

(C) by inserting after subparagraph (A) the following new subparagraph:

“(B) **ELECTION TO EXTEND PERIOD.**—The plan sponsor of a plan in critical status may elect to extend the rehabilitation period by up to five years, reduced by any extension of the period previously elected pursuant to section 205 of the Worker, Retiree and Employer Relief Act of 2008. Such an election shall be made not later than June 30, 2011, and in such form and manner as the Secretary may prescribe.”

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply with respect to funding improvement periods and rehabilitation periods in connection with funding improvement plans and rehabilitation plans adopted or updated on or after the date of the enactment of this Act.

**SEC. 313. MODIFICATION OF CERTAIN AMORTIZATION EXTENSIONS UNDER PRIOR LAW.**

(a) **IN GENERAL.**—In the case of an amortization extension that was granted to a multiemployer plan under the terms of section 304 of the Employee Retirement Income Security Act of 1974 (as in effect immediately prior to enactment of the Pension Protection Act of 2006) or section 412(e) of the Internal Revenue Code (as so in effect), the determination of whether any financial condition on the amortization extension is satisfied shall be made by assuming that for any plan year that contains some or all of the period beginning June 30, 2008, and ending October 31, 2008, the actual rate of return on the plan assets was equal to the interest rate used for purposes of charging or crediting the funding standard account in such plan year, unless the plan sponsor elects otherwise in such form and manner as shall be prescribed by the Secretary of Treasury.

(b) **REVOCATION OF AMORTIZATION EXTENSIONS.**—The plan sponsor of a multiemployer plan may, in such form and manner and after such notice as may be prescribed by the Secretary, revoke any

amortization extension described in subsection (a), effective for plan years following the date of the revocation.

**SEC. 314. ALTERNATIVE DEFAULT SCHEDULE FOR PLANS IN ENDANGERED OR CRITICAL STATUS.**

(a) ERISA AMENDMENTS.—

(1) ENDANGERED STATUS.—Section 305(c)(7) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1085(c)(7)) is amended by adding at the end the following new subparagraph:

“(D) ALTERNATIVE DEFAULT SCHEDULE.—

“(i) IN GENERAL.—A plan sponsor may, for purposes of this paragraph, designate an alternative schedule of contribution rates and related benefit changes meeting the requirements of clause (ii) as the default schedule, in lieu of the default schedule referred to in subparagraph (A).

“(ii) REQUIREMENTS.—An alternative schedule designated pursuant to clause (i) meets the requirements of this clause if such schedule has been adopted in collective bargaining agreements covering at least 75 percent of the active participants as of the date of the designation.”

(2) CRITICAL STATUS.—Section 305(e)(3) of such Act (29 U.S.C. 1085(e)(3)) is amended by adding at the end the following new subparagraph:

“(D) ALTERNATIVE DEFAULT SCHEDULE.—

“(i) IN GENERAL.—A plan sponsor may, for purposes of subparagraph (C), designate an alternative schedule of contribution rates and related benefit changes meeting the requirements of clause (ii) as the default schedule, in lieu of the default schedule referred to in subparagraph (C)(i).

“(ii) REQUIREMENTS.—An alternative schedule designated pursuant to clause (i) meets the requirements of this clause if such schedule has been adopted in collective bargaining agreements covering at least 75 percent of the active participants as of the date of the designation.”

(b) INTERNAL REVENUE CODE AMENDMENTS.—

(1) ENDANGERED STATUS.—Section 432(c)(7) of the Internal Revenue Code of 1986 is amended by adding at the end the following new subparagraph:

“(C) ALTERNATIVE DEFAULT SCHEDULE.—

“(i) IN GENERAL.—A plan sponsor may, for purposes of this paragraph, designate an alternative schedule of contribution rates and related benefit changes meeting the requirements of clause (ii) as the default schedule, in lieu of the default schedule referred to in subparagraph (A).

“(ii) REQUIREMENTS.—An alternative schedule designated pursuant to clause (i) meets the requirements of this clause if such schedule has been adopted in collective bargaining agreements covering at least 75 percent of the active participants as of the date of the designation.”

(2) **CRITICAL STATUS.**—Section 432(e)(3) of such Code is amended by adding at the end the following new subparagraph:

“(D) **ALTERNATIVE DEFAULT SCHEDULE.**—

“(i) **IN GENERAL.**—A plan sponsor may, for purposes of subparagraph (C), designate an alternative schedule of contribution rates and related benefit changes meeting the requirements of clause (ii) as the default schedule, in lieu of the default schedule referred to in subparagraph (C)(i).

“(ii) **REQUIREMENTS.**—An alternative schedule designated pursuant to clause (i) meets the requirements of this clause if such schedule has been adopted in collective bargaining agreements covering at least 75 percent of the active participants as of the date of the designation.”.

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to designations of default schedules by plan sponsors on or after the date of the enactment of this Act.

(d) **CROSS-REFERENCE.**—For sunset of the amendments made by this section, see section 221(c) of the Pension Protection Act of 2006.

**SEC. 315. TRANSITION RULE FOR CERTIFICATIONS OF PLAN STATUS.**

(a) **IN GENERAL.**—A plan actuary shall not be treated as failing to meet the requirements of section 305(b)(3)(A) of the Employee Retirement Income Security Act of 1974 and section 432(b)(3)(A) of the Internal Revenue Code of 1986 in connection with a certification required under such sections the deadline for which is after the date of the enactment of this Act if the plan actuary makes such certification at any time earlier than 75 days after the date of the enactment of this Act.

(b) **REVISION OF PRIOR CERTIFICATION.**—

(1) **IN GENERAL.**—If—

(A) a plan sponsor makes an election under section 304(b)(8) of the Employee Retirement Income Security Act of 1974 and section 431(b)(8) of the Internal Revenue Code of 1986, or under section 304(c)(2)(B) of such Act and section 432(c)(2)(B) such Code, with respect to a plan for a plan year beginning on or after October 1, 2009, and

(B) the plan actuary’s certification of the plan status for such plan year (hereinafter in this subsection referred to as “original certification”) did not take into account any election so made,

then the plan sponsor may direct the plan actuary to make a new certification with respect to the plan for the plan year which takes into account such election (hereinafter in this subsection referred to as “new certification”) if the plan’s status under section 305 of such Act and section 432 of such Code would change as a result of such election. Any such new certification shall be treated as the most recent certification referred to in section 304(b)(3)(B)(iii) of such Act and section 431(b)(8)(B)(iii) of such Code.

(2) **DUE DATE FOR NEW CERTIFICATION.**—Any such new certification shall be made pursuant to section 305(b)(3) of such Act and section 432(b)(3) of such Code; except that any such

new certification shall be made not later than 75 days after the date of the enactment of this Act.

(3) NOTICE.—

(A) IN GENERAL.—Except as provided in subparagraph (B), any such new certification shall be treated as the original certification for purposes of section 305(b)(3)(D) of such Act and section 432(b)(3)(D) of such Code.

(B) NOTICE ALREADY PROVIDED.—In any case in which notice has been provided under such sections with respect to the original certification, not later than 30 days after the new certification is made, the plan sponsor shall provide notice of any change in status under rules similar to the rules such sections.

(4) EFFECT OF CHANGE IN STATUS.—If a plan ceases to be in critical status pursuant to the new certification, then the plan shall, not later than 30 days after the due date described in paragraph (2), cease any restriction of benefit payments, and imposition of contribution surcharges, under section 305 of such Act and section 432 of such Code by reason of the original certification.

## **Subtitle B—Fee Disclosure**

**SEC. 321. SHORT TITLE OF SUBTITLE.**

This subtitle may be cited as the “Defined Contribution Fee Disclosure Act of 2010”.

**SEC. 322. AMENDMENTS TO THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974.**

(a) REQUIREMENTS RELATING TO SERVICE PROVIDERS AND PLAN ADMINISTRATORS OF INDIVIDUAL ACCOUNT PLANS.—

(1) IN GENERAL.—Part 1 of subtitle B of title I of the Employee Retirement Income Security Act of 1974 is amended—

(A) by redesignating section 111 (29 U.S.C. 1031) as section 113; and

(B) by inserting after section 110 (29 U.S.C. 1030) the following new sections:

**“SEC. 111. REQUIREMENT TO PROVIDE NOTICE OF PLAN FEE INFORMATION TO PLAN ADMINISTRATORS.**

**“(a) INITIAL STATEMENT OF SERVICES PROVIDED AND REVENUES RECEIVED.—**

**“(1) IN GENERAL.—**In any case in which a service provider enters into a contract or arrangement to provide services to an individual account plan, the service provider shall, before entering into such contract or arrangement, provide to the plan administrator a single written statement which includes, with respect to the first plan year covered under such contract or arrangement, the following information:

**“(A) A detailed description of the services which will be provided to the plan by the service provider, the amount of total expected annual revenue with respect to such services, the manner in which such revenue will be collected, and the extent to which such revenue varies between specific investment options.**

“(B)(i) In the case of a service provider who is providing recordkeeping services with respect to any investment option, such information as is necessary for the plan administrator to satisfy the requirements of subparagraphs (B)(ii)(IV) and (C) of section 105(a)(2) and paragraphs (1) and (3) of section 112(a) with respect to such option, including specifying the method used by the service provider in disclosing or estimating expenses under subparagraphs (C)(iv) and (E) of section 105(a)(2).

“(ii) To the extent provided in regulations issued by the Secretary, clause (i) shall not apply in the case of a service provider described in such clause if the service provider receives a written notification from the plan administrator that the information described in such clause in connection with the investment option is provided by another service provider pursuant to a contract or arrangement to provide services to the plan.

“(C) A statement indicating—

“(i) the identity of any investment options offered under the plan with respect to which the service provider provides substantial investment, trustee, custodial, or administrative services, and

“(ii) in the case of any investment option, whether the service provider expects to receive any component of total expected annual revenue described in paragraph (2)(A)(ii)(II) with respect to such option and the amount of any such component.

“(D) The portion of total expected annual revenue which is properly allocable to each of the following:

“(i) Administration and recordkeeping.

“(ii) Investment management.

“(iii) Other services or amounts not described in clause (i) or (ii).

“(2) DEFINITION OF TOTAL EXPECTED ANNUAL REVENUE.—For purposes of this section—

“(A) IN GENERAL.—The term ‘total expected annual revenue’ means, with respect to any plan year—

“(i) any amount expected to be received during such plan year from the plan (including amounts paid from participant accounts), any participant or beneficiary, or any plan sponsor in connection with the contract or arrangement referred to in paragraph (1), and

“(ii) any amount not taken into account under clause (i) which is expected to be received during such plan year by the service provider in connection with—

“(I) plan administration, recordkeeping, consulting, management, or investment or other service activities undertaken by the service provider with respect to the plan, or

“(II) plan administration, recordkeeping, consulting, management, or investment or other service activities undertaken by any other person with respect to the plan.

“(B) EXPRESSED AS DOLLAR AMOUNT OR PERCENTAGE OF ASSETS.—Total expected annual revenue and any amount

indicated under paragraph (1)(C)(ii) may be expressed as a dollar amount or as a percentage of assets (or a combination thereof), as appropriate. To the extent that total expected annual revenue is expressed as a percentage of assets, such percentage shall be properly allocated among clauses (i), (ii), and (iii) of paragraph (1)(D).

“(C) PROVISION OF FEE SCHEDULE FOR CERTAIN PARTICIPANT INITIATED TRANSACTIONS.—In the case of amounts expected to be received from participants or beneficiaries under the plan (or from an account of a participant or beneficiary) as a fee or charge in connection with a transaction initiated by the participant (other than loads, commissions, brokerage fees, and other investment related transactions)—

“(i) such amounts shall not be taken into account in determining total expected annual revenue, and

“(ii) the service provider shall provide to the plan administrator, as part of the statement referred to in paragraph (1), a fee schedule which describes each such fee or charge, the amount thereof, and the manner in which such amount is collected.

“(D) ESTIMATIONS.—In determining under this subsection any amount which is expected to be received by the service provider, the service provider shall provide a reasonable estimate of such amount and shall indicate in the statement referred to in paragraph (1) whether such amount disclosed is an estimate. Any such estimate shall be based on reasonable assumptions specified in such statement.

“(3) ALLOCATION RULES.—The Secretary shall provide rules for defining total expected annual revenue and for the appropriate and consistent allocation of total expected annual revenue among clauses (i), (ii), and (iii) of paragraph (1)(D), except that the entire amount of such revenue shall be allocated among such clauses and no amount may be taken into account under more than one clause.

“(4) DISCLOSURE OF DIFFERENT PRICING OF INVESTMENT OPTIONS.—In the case of investment options with more than one share class or price level, the Secretary shall prescribe regulations for the disclosure of the different share classes or price levels available as part of the statement in paragraph (1). Such regulations shall provide guidance with respect to the disclosure of the basis for qualifying for such share classes or price levels, which may include amounts invested, number of participants, or other factors.

“(5) DISCLOSURE OF INVESTMENT TRANSACTION COSTS.—To the extent provided in regulations issued by the Secretary, a service provider shall separately disclose the transaction costs (including sales commissions) for each investment option for the preceding year.

“(b) ANNUAL STATEMENTS.—With respect to each plan year after the plan year covered by the statement described in subsection (a), the service provider shall provide the plan administrator a single written statement which includes the information described in subsection (a) with respect to such subsequent plan year.

“(c) MATERIAL CHANGE STATEMENTS.—In the case of any event or other change during a plan year which causes the information included in any statement described in subsection (a) or (b) with respect to such plan year to become materially incorrect, the service provider shall provide the plan administrator a written statement providing the corrected information not later than 30 days after the service provider knows, or exercising reasonable diligence would have known, of such event or other change.

“(d) TIME AND MANNER OF PROVIDING STATEMENT AND OTHER MATERIALS.—The statement referred to in subsections (a)(1) and (b) shall be made at such time and in such manner as the Secretary may provide. Other materials required to be provided under this section shall be provided in such manner as the Secretary may provide. All information included in such statements and other materials shall be presented in a manner which is easily understood by the typical plan administrator.

“(e) EXCEPTION FOR SMALL SERVICE PROVIDERS.—The requirements of this section shall not apply with respect to any contract or arrangement for services provided with respect to an individual account plan for any plan year if—

“(1) the total annual revenue expected by the service provider to be received with respect to the plan for such plan year is less than \$5,000, and

“(2) the service provider provides a written statement to the plan administrator that the total annual revenue expected by the service provider to be received with respect to the plan is less than \$5,000.

Service providers who expect to receive de minimis annual revenue from the plan need not provide the written statement described in paragraph (2). The Secretary may by regulation or other guidance adjust the dollar amount specified in this subsection.

“(f) DEFINITION OF SERVICE PROVIDER.—For purposes of this section—

“(1) IN GENERAL.—The term ‘service provider’ includes any person providing administration, recordkeeping, consulting, investment management services, or investment advice to an individual account plan under a contract or arrangement.

“(2) CONTROLLED GROUPS TREATED AS ONE SERVICE PROVIDER.—All persons which would be treated as a single employer under subsection (b) or (c) of section 414 of the Internal Revenue Code of 1986 if section 1563(a)(1) of such Code were applied—

“(A) except as provided by subparagraph (B), by substituting ‘more than 50 percent’ for ‘at least 80 percent’ each place it appears therein, or

“(B) for purposes of subsection (a)(1)(C)(i), by substituting ‘at least 20 percent’ for ‘at least 80 percent’ each place it appears therein,

shall be treated as one person for purposes of this section.

**“SEC. 112. REQUIREMENT TO PROVIDE NOTICE TO PARTICIPANTS OF PLAN FEE INFORMATION.**

“(a) DISCLOSURES TO PARTICIPANTS AND BENEFICIARIES.—

“(1) ADVANCE NOTICE OF AVAILABLE INVESTMENT OPTIONS.—

“(A) IN GENERAL.—The plan administrator of an applicable individual account plan shall provide to the participant

or beneficiary notice of the investment options available under the plan before—

“(i) the earliest date provided for under the plan for the participant’s initial investment of any contribution made on behalf of such participant, and

“(ii) the effective date of any change in the list of investment options available under the plan, unless such advance notice is impracticable, and in such case, as soon as is practicable.

“(B) INFORMATION INCLUDED IN NOTICE.—The notice required under subparagraph (A) shall—

“(i) set forth, with respect to each available investment option—

“(I) the name of the option,

“(II) a general description of the option’s investment objectives and principal investment strategies, principal risk and return characteristics, and the name of the option’s investment manager,

“(III) whether the investment option is designed to be a comprehensive, stand-alone investment for retirement that provides varying degrees of long-term appreciation and capital preservation through a mix of equity and fixed income exposures,

“(IV) the extent to which the investment option is actively managed or passively managed in relation to an index and the difference between active management and passive management,

“(V) where, and the manner in which, additional plan-specific, option-specific, and generally available investment information may be obtained, and

“(VI) a statement explaining that investment options should not be evaluated solely on the basis of the charges for each option but should also be based on consideration of other key factors, including the risk level of the option, the investment objectives of the option, historical returns of the option, and the participant’s personal investment objectives,

“(ii) include a statement of the right under paragraph (2) of participants and beneficiaries to request, and a description of how a participant or beneficiary may request, a copy of the statements received by the plan administrator under section 111 with respect to the plan, and

“(iii) include the plan fee comparison chart described in subparagraph (C).

“(C) PLAN FEE COMPARISON CHART.—

“(i) IN GENERAL.—

“(I) IN GENERAL.—The notice provided under this paragraph shall include a plan fee comparison chart consisting of a comparison of the service and investment charges that will or could be assessed against the account of the participant or beneficiary with respect to the plan year.

“(II) EXPRESSED AS DOLLAR AMOUNT OR FORMULA.—For purposes of this subparagraph, such charges shall be provided in the form of a dollar amount or as a formula (such as a percentage of assets), as appropriate.

“(ii) CATEGORIZATION OF CHARGES.—The plan fee comparison chart shall provide information in relation to the following categories of charges that will or could be assessed against the account of the participant or beneficiary:

“(I) ASSET-BASED CHARGES SPECIFIC TO INVESTMENT.—Charges that vary depending on the investment options selected by the participant or beneficiary, including the annual operating expenses of the investment option and investment-specific asset-based charges (such as loads, commissions, brokerage fees, exchange fees, redemption fees, and surrender charges). Except as provided by the Secretary in regulations under this section, the information relating to such charges shall include a statement noting any charges for 1 or more investment options which pay for services other than investment management.

“(II) RECURRING ASSET-BASED CHARGES NOT SPECIFIC TO INVESTMENT.—Charges that are assessed as a percentage of the total assets in the account of the participant or beneficiary, regardless of the investment option selected.

“(III) ADMINISTRATIVE AND TRANSACTION-BASED CHARGES.—Administration and transaction-based charges, including fees charged to participants to cover plan administration, compliance, and record-keeping costs, plan loan origination fees, possible redemption fees, and possible surrender charges, that are not assessed as a percentage of the total assets in the account and are either automatically deducted each year or result from certain transactions engaged in by the participant or beneficiary.

“(IV) OTHER CHARGES.—Any other charges which may be deducted from participants’ or beneficiaries’ accounts and which are not described in subclauses (I), (II), and (III).

“(iii) FEES AND HISTORICAL RETURNS.—The plan fee comparison chart shall include—

“(I) the historical returns, net of fees and expenses, for the previous year, 5 years, and 10 years (or for the period since inception, if shorter) with respect to such investment option, and

“(II) the historical returns of an appropriate benchmark, index, or other point of comparison for each such period.

“(D) MODEL NOTICES.—The Secretary shall prescribe one or more model notices that may be used for purposes of

satisfying the requirements of this paragraph, including model plan fee comparison charts.

“(E) ESTIMATIONS.—For purposes of providing the notice required under this paragraph, the plan administrator may provide a reasonable and representative estimate for any charges or percentages disclosed under subparagraph (B) or (C) and shall indicate whether the amount of any such charges or percentages disclosed is an estimate.

“(2) DISCLOSURE OF SERVICE PROVIDER STATEMENTS.—The plan administrator shall provide to any participant or beneficiary a copy of any statement received pursuant to section 111 within 30 days after receipt of a request for such a statement.

“(3) NOTICE OF MATERIAL CHANGES.—In the case of any event or other change which causes the information included in any notice described in paragraph (1) to become materially incorrect, the plan administrator shall provide participants and beneficiaries a written statement providing the corrected information not later than 30 days after the plan administrator knows, or exercising reasonable diligence would have known, of such event or other change.

“(4) TIME AND MANNER OF PROVIDING NOTICES AND DISCLOSURES.—

“(A) IN GENERAL.—The notices described in paragraph (1) shall be provided at such times and in such manner as the Secretary may provide. Other notices and materials required to be provided under this subsection shall be provided in such manner as the Secretary may provide.

“(B) MANNER OF PRESENTATION.—

“(i) IN GENERAL.—All information included in such notices or explanations shall be presented in a manner which is easily understood by the typical participant.

“(ii) GENERIC EXAMPLE OF OPERATING EXPENSES OF INVESTMENT OPTIONS.—The information described in paragraph (1)(C)(ii)(I) shall include a generic example describing the charges that would apply during an annual period with respect to a \$10,000 investment in the investment option.

“(b) APPLICABLE INDIVIDUAL ACCOUNT PLAN.—For purposes of this section, the term ‘applicable individual account plan’ means the portion of any individual account plan which permits a participant or beneficiary to exercise control over assets in his or her account.

“(c) REGULATIONS.—The Secretary shall prescribe such regulations or other guidance as may be necessary or appropriate to carry out the purposes of this section, including regulations or other guidance which—

“(1) provide a later deadline for providing the notice of investment menu changes described in subsection (a)(3) in appropriate circumstances, and

“(2) provide guidelines, and a safe harbor, for the selection of an appropriate benchmark, index, or other point of comparison for an investment option under subsection (a)(1)(C)(iii)(II).”

(2) CLERICAL AMENDMENT.—The table of contents in section 1 of such Act is amended by striking the item relating to section 111 and inserting the following new items:

“Sec. 111. Requirement to provide notice of plan fee information to plan administrators.

“Sec. 112. Requirement to provide notice to participants of plan fee information.

“Sec. 113. Repeal and effective date.”.

(b) QUARTERLY BENEFIT STATEMENTS.—Section 105 of such Act (29 U.S.C. 1025) is amended—

(1) in subsection (a)(2)—

(A) by redesignating subparagraph (C) as subparagraph (G);

(B) in subparagraph (B)(ii)—

(i) in subclause (II), by striking “diversified, and” and inserting “diversified,”;

(ii) in subclause (III) by striking the period and inserting “, and”; and

(iii) by adding after subclause (III) the following new subclause:

“(IV) with respect to the portion of a participant’s account for which the participant has the right to direct the investment of assets, the information described in subparagraph (C).”; and

(C) by inserting after subparagraph (B) the following new subparagraphs:

“(C) QUARTERLY BENEFIT STATEMENTS.—The plan administrator shall provide to each participant and beneficiary, at least once each calendar quarter, an explanation describing the investment options in which the participant’s or beneficiary’s account is invested as of the last day of the preceding quarter. Such explanation shall provide, to the extent applicable, the following for the preceding quarter:

“(i) As of the last day of the quarter, a statement of the different asset classes that the participant’s or beneficiary’s account is invested in and the percentage of the account allocated to each asset class.

“(ii) A statement of the starting and ending balance of the participant’s or beneficiary’s account for such quarter.

“(iii) A statement of the total contributions made to the participant’s or beneficiary’s account during the quarter and a separate statement of—

“(I) the amount of such contributions, and the total amount of any restorative payments, which were made by the employer during the quarter, and

“(II) the amount of such contributions which were made by the employee.

“(iv) A statement of the total fees and expenses which were directly deducted from the participant’s or beneficiary’s account during the quarter and an itemization of such fees and expenses.

“(v) A statement of the net returns for the plan year to date, expressed as a percentage, and a statement as

to whether the net returns include amounts described in clause (iv).

“(vi) With respect to each investment option in which the participant or beneficiary was invested as of the last day of the quarter, the following:

“(I) A statement of the percentage of the participant’s or beneficiary’s account that is invested in such option as of the last day of such quarter.

“(II) A statement of the starting and ending balance of the participant’s or beneficiary’s account that is invested in such option for such quarter.

“(III) A statement of the annual operating expenses of the investment option.

“(IV) A statement of whether the disclosure described in clause (iv) includes the annual operating expenses of the investment options of the participant or beneficiary.

“(vii) The statement described in section 112(a)(1)(B)(i)(VI).

“(viii) A statement regarding how a participant or beneficiary may access the information required to be disclosed under section 112(a)(1).

“(D) MODEL EXPLANATIONS.—The Secretary shall prescribe one or more model explanations that may be used for purposes of satisfying the requirements of subparagraph (C).

“(E) DETERMINATION OF EXPENSES.—For purposes of subparagraph (C)(v)(III)—

“(i) Expenses may be expressed as a dollar amount or as a percentage of assets (or a combination thereof).

“(ii) The plan administrator may provide disclosure of the expenses for the quarter or may provide a reasonable and representative estimate of such expenses and shall indicate any such estimate as being an estimate. Any such estimate shall be based on reasonable assumptions stated together with such estimate.

“(iii) To the extent that estimated expenses are expressed as a percentage of assets, the disclosure shall also include one of the following, stated in dollar amounts:

“(I) an estimate of the expenses for the quarter based on the amount invested in the option; or

“(II) an example describing the expenses that would apply during the quarter with respect to a hypothetical \$10,000 investment in the option.

“(F) ANNUAL COMPLIANCE FOR SMALL PLANS.—A plan that has fewer than 100 participants and beneficiaries as of the first day of the plan year may provide the explanation described in subparagraph (C) on an annual rather than a quarterly basis.”.

(c) ASSISTANCE FROM THE DEPARTMENT OF LABOR.—Section 105 of such Act (29 U.S.C. 1025) is amended by adding at the end the following new subsections:

“(d) ASSISTANCE TO SMALL EMPLOYERS.—The Secretary shall make available to employers with 100 or fewer employees—

“(1) educational and compliance materials designed to assist such employers in selecting and monitoring service providers for individual account plans which permit a participant or beneficiary to exercise control over the assets in the account of the participant or beneficiary, investment options under such plans, and charges relating to such options, and

“(2) services designed to assist such employers in finding and understanding affordable investment options for such plans and in comparing the investment performance of, and charges for, such options on an ongoing basis against appropriate benchmarks or other appropriate measures.

“(e) ASSISTANCE TO PLAN SPONSORS AND PLAN PARTICIPANTS AND BENEFICIARIES.—The Secretary shall provide plan administrators and plan sponsors of individual account plans and participants and beneficiaries under such plans assistance with any questions or problems regarding compliance with the requirements of subparagraphs (B)(ii)(IV) and (C) of subsection (a)(2) and section 112.”.

(d) ENFORCEMENT.—

(1) PENALTIES.—Section 502 of such Act (29 U.S.C. 1132) is amended—

(A) in subsection (a)(6), by striking “under paragraph (2)” and all that follows through “subsection (c)” and inserting “under paragraph (2), (4), (5), (6), (7), (8), (9), (10), (11), or (12) of subsection (c)”; and

(B) in subsection (c), by redesignating the second paragraph (10) as paragraph (13), and by inserting after the first paragraph (10) the following new paragraphs:

“(11)(A) In the case of any failure by a service provider (as defined in section 111(f)(1)) to provide a statement in violation of section 111, the service provider may be assessed by the Secretary a civil penalty of up to \$1,000 for each day in the noncompliance period.

“(B) For purposes of subparagraph (A), the noncompliance period with respect to the failure to provide any statement is the period beginning on the date that such statement was required to be provided and ending on the date that such statement is provided or the failure is otherwise corrected.

“(C)(i) The total amount of a penalty assessed under this paragraph on any service provider with respect to any individual account plan for any plan year shall not exceed an amount equal to the lesser of—

“(I) 10 percent of the assets of the plan, determined as of the first day of such plan year, or

“(II) \$1,000,000.

“(ii) No penalty shall be imposed by subparagraph (A) on any failure if—

“(I) the service provider subject to liability for the penalty under subparagraph (A) exercised reasonable diligence to meet the requirement with respect to which the failure relates, and

“(II) such service provider provides the information required under section 111 during the 30-day period beginning on the date such person knew, or exercising reasonable diligence would have known, that such failure existed.

“(iii) In the case of a failure which is due to reasonable cause and not to willful neglect, the Secretary may waive part or all of the

penalty under subparagraph (A) to the extent that the payment of such penalty would be excessive or otherwise inequitable relative to the failure involved.

“(D) The penalty imposed under this paragraph with respect to any failure shall be reduced by the amount of any tax imposed on such person with respect to such failure under section 4980J of the Internal Revenue Code of 1986.

“(12)(A) Any plan administrator with respect to a plan who fails or refuses to provide a notice, explanation, or statement to participants and beneficiaries in accordance with subparagraphs (B)(ii)(IV) and (C) of section 105(a)(2) and section 112 may be assessed by the Secretary a civil penalty of up to \$110 for each day in the noncompliance period.

“(B) For purposes of subparagraph (A), the noncompliance period with respect to the failure to provide any notice, explanation, or statement referred to in subparagraph (B)(ii)(IV) or (C) of section 105(a)(2) or section 112 with respect to any participant or beneficiary is the period beginning on the date that such notice, explanation, or statement was required to be provided and ending on the date that such notice, explanation, or statement is provided or the failure is otherwise corrected.

“(C)(i) The total amount of penalty assessed under this paragraph with respect to any plan for any plan year shall not exceed an amount equal to the lesser of—

“(I) 10 percent of the assets of the plan, determined as of the first day of such plan year, or

“(II) \$500,000.

“(ii) No penalty shall be imposed under subparagraph (A) on any failure to meet the requirements of subparagraphs (B)(ii)(IV) and (C) of section 105(a)(2) and section 112 if—

“(I) any person subject to liability for the penalty under subparagraph (A) exercised reasonable diligence to meet such requirements, and

“(II) such person provides the notice, explanation, or statement to which the failure relates during the 30-day period beginning on the date such person knew, or exercising reasonable diligence would have known, that such failure existed.

“(iii) In the case of a failure which is due to reasonable cause and not to willful neglect, the Secretary shall waive part or all of the penalty under subparagraph (A) to the extent that the payment of such penalty would be excessive or otherwise inequitable relative to the failure involved.

“(iv) The penalty imposed under this paragraph with respect to any failure shall be reduced by the amount of any tax imposed on such person with respect to such failure under section 4980K of the Internal Revenue Code of 1986.”

(2) ENFORCEMENT COORDINATION AND REVIEW BY THE DEPARTMENT OF LABOR.—Section 502 of such Act (29 U.S.C. 1132) is amended by adding at the end the following new subsection:  
“(n) ENFORCEMENT COORDINATION OF CERTAIN DISCLOSURE REQUIREMENTS RELATING TO INDIVIDUAL ACCOUNT PLANS AND REVIEW BY THE DEPARTMENT OF LABOR.—

“(1) NOTIFICATION AND ACTION RELATING TO SERVICE PROVIDERS.—The Secretary shall notify the applicable regulatory authority in any case in which the Secretary determines that

a service provider is engaged in a pattern or practice that precludes compliance by plan administrators with subparagraphs (B)(ii)(IV) and (C) of section 105(a)(2) and section 112. The Secretary shall, in consultation with the applicable authority, take such timely enforcement action under this title as is necessary to assure that such pattern or practice ceases and desists and assess any appropriate penalties.

“(2) ANNUAL AUDIT OF REPRESENTATIVE SAMPLING OF INDIVIDUAL ACCOUNT PLANS.—The Secretary shall annually audit a representative sampling of individual account plans covered by this title to determine compliance with the requirements of subparagraphs (B)(ii)(IV) and (C) of section 105(a)(2), section 111, and section 112. The Secretary shall annually report the results of such audit and any related recommendations of the Secretary to the Committee on Education and Labor of the House of Representatives and the Committee on Health, Education, Labor, and Pensions of the Senate.”

(e) REVIEW AND REPORT TO THE CONGRESS BY SECRETARY OF LABOR RELATING TO REPORTING AND DISCLOSURE REQUIREMENTS.—

(1) STUDY.—As soon as practicable after the date of the enactment of this Act, the Secretary of Labor shall review the reporting and disclosure requirements of part 1 of subtitle B of title I of the Employee Retirement Income Security Act of 1974 and related provisions of the Pension Protection Act of 2006.

(2) REPORT.—Not later than 18 months after the date of the enactment of this Act, the Secretary of Labor, in consultation with the Secretary of the Treasury, shall make such recommendations as the Secretary of Labor considers appropriate to the appropriate committees of the Congress to consolidate, simplify, standardize, and improve the applicable reporting and disclosure requirements so as to simplify reporting for employee pension benefit plans and ensure that needed understandable information is provided to participants and beneficiaries of such plans.

**SEC. 323. AMENDMENTS TO THE INTERNAL REVENUE CODE OF 1986.**

(a) IN GENERAL.—Chapter 43 of the Internal Revenue Code of 1986 (relating to qualified pension, etc. plans) is amended by adding at the end the following new sections:

**“SEC. 4980J. FAILURE TO PROVIDE NOTICE OF PLAN FEE INFORMATION TO PLAN ADMINISTRATORS.**

“(a) IMPOSITION OF TAX.—

“(1) IN GENERAL.—There is hereby imposed a tax on each failure of a service provider to meet the requirements of paragraph (2) with respect to any applicable defined contribution plan.

“(2) FAILURES DESCRIBED.—The failures described in this paragraph are—

“(A) any failure to provide an initial statement described in subsection (d),

“(B) any failure to provide an annual statement described in subsection (e), and

“(C) any failure to provide a material change statement described in subsection (f).

“(b) AMOUNT OF TAX.—

“(1) IN GENERAL.—The amount of the tax imposed by subsection (a) on any failure shall be \$1,000 for each day in the noncompliance period.

“(2) NONCOMPLIANCE PERIOD.—For purposes of paragraph (1), the noncompliance period with respect to the failure to provide any statement is the period beginning on the date that such statement was required to be provided and ending on the date that such statement is provided or the failure is otherwise corrected.

“(c) LIMITATIONS.—

“(1) AGGREGATE LIMITATION.—The total amount of tax imposed by this section on any service provider with respect to any applicable defined contribution plan for any plan year shall not exceed an amount equal to the lesser of—

“(A) 10 percent of the assets of the plan, determined as of the first day of such plan year, or

“(B) \$1,000,000.

“(2) TAX NOT TO APPLY TO FAILURES CORRECTED WITHIN 30 DAYS.—No tax shall be imposed by subsection (a) on any failure if—

“(A) the service provider subject to liability for the tax under subsection (a) exercised reasonable diligence to meet the requirement with respect to which the failure relates, and

“(B) such service provider provides the information required under subsection (a) during the 30-day period beginning on the date such person knew, or exercising reasonable diligence would have known, that such failure existed.

“(3) WAIVER BY SECRETARY.—In the case of a failure which is due to reasonable cause and not to willful neglect, the Secretary may waive part or all of the tax imposed by subsection (a) to the extent that the payment of such tax would be excessive or otherwise inequitable relative to the failure involved.

“(d) INITIAL STATEMENT OF SERVICES PROVIDED AND REVENUES RECEIVED.—

“(1) IN GENERAL.—Before entering into any contract or arrangement to provide services to an applicable defined contribution plan, the service provider shall provide to the plan administrator a single written statement which includes, with respect to the first plan year covered under such contract or arrangement, the following:

“(A) A detailed description of the services which will be provided to the plan by the service provider, the amount of total expected annual revenue with respect to such services, the manner in which such revenue will be collected, and the extent to which such revenue varies between specific investment options.

“(B)(i) In the case of a service provider who is providing recordkeeping services with respect to any investment option, such information as is necessary for the plan administrator to satisfy the requirements of paragraphs (1), (2) and (4) of section 4980K(e) with respect to such option, including specifying the method used by the service provider

in disclosing or estimating expenses under subparagraphs (A)(iv) and (C) of such paragraph (2).

“(ii) To the extent provided in regulations issued by the Secretary of Labor, clause (i) shall not apply in the case of a service provider described in such clause if the service provider receives a written notification from the plan administrator that the information described in such clause in connection with the investment option is provided by another service provider pursuant to a contract or arrangement to provide services to the plan.

“(C) A statement indicating—

“(i) the identity of any investment options offered under the plan with respect to which the service provider provides substantial investment, trustee, custodial, or administrative services, and

“(ii) in the case of any investment option, whether the service provider expects to receive any component of total expected annual revenue described in paragraph (2)(A)(ii)(II) with respect to such option and the amount of any such component.

“(D) The portion of total expected annual revenue which is properly allocable to each of the following:

“(i) Administration and recordkeeping.

“(ii) Investment management.

“(iii) Other services or amounts not described in clause (i) or (ii).

“(2) DEFINITION OF TOTAL EXPECTED ANNUAL REVENUE.—For purposes of this section—

“(A) IN GENERAL.—The term ‘total expected annual revenue’ means, with respect to any plan year—

“(i) any amount expected to be received during such plan year from the plan (including amounts paid from participant accounts), any participant or beneficiary, or any plan sponsor in connection with the contract or arrangement referred to in paragraph (1), and

“(ii) any amount not taken into account under clause (i) which is expected to be received during such plan year by the service provider in connection with—

“(I) plan administration, recordkeeping, consulting, management, or investment or other service activities undertaken by the service provider with respect to the plan, or

“(II) plan administration, recordkeeping, consulting, management, or investment or other service activities undertaken by any other person with respect to the plan.

“(B) EXPRESSED AS DOLLAR AMOUNT OR PERCENTAGE OF ASSETS.—Total expected annual revenue and any amount indicated under paragraph (1)(C)(ii) may be expressed as a dollar amount or as a percentage of assets (or a combination thereof), as appropriate. To the extent that total expected annual revenue is expressed as a percentage of assets, such percentage shall be properly allocated among clauses (i), (ii), and (iii) of paragraph (1)(D).

“(C) PROVISION OF FEE SCHEDULE FOR CERTAIN PARTICIPANT INITIATED TRANSACTIONS.—In the case of amounts expected to be received from participants or beneficiaries under the plan (or from the account of a participant or beneficiary) as a fee or charge in connection with a transaction initiated by the participant (other than loads, commissions, brokerage fees, and other investment related transactions)—

“(i) such amounts shall not be taken into account in determining total expected annual revenue, and

“(ii) the service provider shall provide to the plan administrator, as part of the statement referred to in paragraph (1), a fee schedule which describes each such fee or charge, the amount thereof, and the manner in which such amount is collected.

“(D) ESTIMATIONS.—In determining under this subsection any amount which is expected to be received by the service provider, the service provider shall provide a reasonable estimate of such amount and shall indicate in the statement referred to in paragraph (1) whether such amount disclosed is an estimate. Any such estimate shall be based on reasonable assumptions specified in such statement.

“(3) ALLOCATION RULES.—The Secretary of Labor shall provide rules for defining total expected annual revenue and for the appropriate and consistent allocation of total expected annual revenue among clauses (i), (ii), and (iii) of paragraph (1)(D), except that the entire amount of such revenue shall be allocated among such clauses and no amount may be taken into account under more than one clause.

“(4) DISCLOSURE OF DIFFERENT PRICING OF INVESTMENT OPTIONS.—In the case of investment options with more than one share class or price level, the Secretary of Labor shall prescribe regulations for the disclosure of the different share classes or price levels available as part of the statement in paragraph (1). Such regulations shall provide guidance with respect to the disclosure of the basis for qualifying for such share classes or price levels, which may include amounts invested, number of participants, or other factors.

“(5) DISCLOSURE OF INVESTMENT TRANSACTION COSTS.—To the extent provided in regulations issued by the Secretary of Labor, a service provider shall separately disclose the transaction costs (including sales commissions) for each investment option for the preceding year.

“(e) ANNUAL STATEMENTS.—With respect to each plan year after the plan year covered by the statement described in subsection (d), the service provider shall provide the plan administrator a single written statement which includes the information described in subsection (d) with respect to such subsequent plan year.

“(f) MATERIAL CHANGE STATEMENTS.—In the case of any event or other change during a plan year which causes the information included in any statement described in subsection (d) or (e) with respect to such plan year to become materially incorrect, the service provider shall provide the plan administrator a written statement providing the corrected information not later than 30 days after the

service provider knows, or exercising reasonable diligence would have known, of such event or other change.

“(g) TIME AND MANNER OF PROVIDING STATEMENT AND OTHER MATERIALS.—The statement referred to in subsections (d)(1) and (e) shall be made at such time and in such manner as the Secretary of Labor may provide. Other materials required to be provided under this section shall be provided in such manner as such Secretary may provide. All information included in such statements and other materials shall be presented in a manner which is easily understood by the typical plan administrator.

“(h) EXCEPTION FOR SMALL SERVICE PROVIDERS.—The requirements of this section shall not apply with respect to any contract or arrangement for services provided with respect to an individual account plan for any plan year if—

“(1) the total annual revenue expected by the service provider to be received with respect to the plan for such plan year is less than \$5,000, and

“(2) the service provider provides a written statement to the plan administrator that the total annual revenue expected by the service provider to be received with respect to the plan is less than \$5,000.

Service providers who expect to receive de minimis annual revenue from the plan need not provide the written statement described in paragraph (2). The Secretary of Labor may by regulation or other guidance adjust the dollar amount specified in this subsection.

“(i) DEFINITIONS.—For purposes of this section—

“(1) SERVICE PROVIDER.—

“(A) IN GENERAL.—The term ‘service provider’ includes any person providing administration, recordkeeping, consulting, investment management services, or investment advice to an applicable defined contribution plan under a contract or arrangement.

“(B) CONTROLLED GROUPS TREATED AS ONE SERVICE PROVIDER.—All persons which would be treated as a single employer under subsection (b) or (c) of section 414 if section 1563(a)(1) were applied—

“(i) except as provided by subparagraph (B), by substituting ‘more than 50 percent’ for ‘at least 80 percent’ each place it appears therein, or

“(ii) for purposes of subsection (d)(1)(C)(i), by substituting ‘at least 20 percent’ for ‘at least 80 percent’ each place it appears therein,

shall be treated as one person for purposes of this section.

“(2) APPLICABLE DEFINED CONTRIBUTION PLAN.—The term ‘applicable defined contribution plan’ means any defined contribution plan described in clauses (iii) through (vi) of section 402(c)(8)(B).

“(3) PLAN ADMINISTRATOR.—The term ‘plan administrator’ has the meaning given such term by section 414(g).

**“SEC. 4980K. FAILURE TO PROVIDE NOTICE TO PARTICIPANTS OF PLAN FEE INFORMATION.**

“(a) IMPOSITION OF TAX.—

“(1) IN GENERAL.—There is hereby imposed a tax on each failure of a plan administrator of an applicable defined con-

tribution plan to meet the requirements of paragraph (2) with respect to any participant or beneficiary.

“(2) FAILURES DESCRIBED.—The failures described in this paragraph are—

“(A) any failure to provide an advance notice of available investment options described in subsection (e)(1),

“(B) any failure to provide an account explanation described in subsection (e)(2),

“(C) any failure to provide a service provider statement referred to in subsection (e)(3), and

“(D) any failure to provide a notice of material change described in subsection (e)(4).

“(b) AMOUNT OF TAX.—

“(1) IN GENERAL.—The amount of the tax imposed by subsection (a) on any failure with respect to any participant or beneficiary shall be \$100 for each day in the noncompliance period.

“(2) NONCOMPLIANCE PERIOD.—For purposes of paragraph (1), the noncompliance period with respect to the failure to provide any notice, explanation, or statement referred to in subsection (a)(2) with respect to any participant or beneficiary is the period beginning on the date that such notice, explanation, or statement was required to be provided and ending on the date that such notice, explanation, or statement is provided or the failure is otherwise corrected.

“(c) LIMITATIONS ON AMOUNT OF TAX.—

“(1) AGGREGATE LIMITATION.—The total amount of tax imposed by this section with respect to any plan for any plan year shall not exceed an amount equal to the lesser of—

“(A) 10 percent of the assets of the plan, determined as of the first day of such plan year, or

“(B) \$500,000.

“(2) TAX NOT TO APPLY TO FAILURES CORRECTED WITHIN 30 DAYS.—No tax shall be imposed by subsection (a) on any failure if—

“(A) any person subject to liability for the tax under subsection (a) exercised reasonable diligence to meet the requirements of subsection (e), and

“(B) such person provides the notice, explanation, or statement to which the failure relates during the 30-day period beginning on the date such person knew, or exercising reasonable diligence would have known, that such failure existed.

“(3) WAIVER BY SECRETARY.—In the case of a failure which is due to reasonable cause and not to willful neglect, the Secretary shall waive part or all of the tax imposed by subsection (a) to the extent that the payment of such tax would be excessive or otherwise inequitable relative to the failure involved.

“(d) LIABILITY FOR TAX.—The plan administrator shall be liable for the tax imposed by subsection (a).

“(e) DISCLOSURES TO PARTICIPANTS AND BENEFICIARIES.—

“(1) ADVANCE NOTICE OF AVAILABLE INVESTMENT OPTIONS.—

“(A) IN GENERAL.—The plan administrator of an applicable defined contribution plan shall provide to the partici-

pant or beneficiary notice of the investment options available under the plan before—

“(i) the earliest date provided for under the plan for the participant’s initial investment of any contribution made on behalf of such participant, and

“(ii) the effective date of any change in the list of investment options available under the plan, unless such advance notice is impracticable, and in such case, as soon as is practicable.

“(B) INFORMATION INCLUDED IN NOTICE.—The notice required under subparagraph (A) shall—

“(i) set forth, with respect to each available investment option—

“(I) the name of the option,

“(II) a general description of the option’s investment objectives and principal investment strategies, principal risk and return characteristics, and the name of the option’s investment manager,

“(III) whether the investment option is designed to be a comprehensive, stand-alone investment for retirement that provides varying degrees of long-term appreciation and capital preservation through a mix of equity and fixed income exposures,

“(IV) the extent to which the investment option is actively managed or passively managed in relation to an index and the difference between active management and passive management,

“(V) where, and the manner in which, additional plan-specific, option-specific, and generally available investment information may be obtained, and

“(VI) a statement explaining that investment options should not be evaluated solely on the basis of the charges for each option but should also be based on consideration of other key factors, including the risk level of the option, the investment objectives of the option, historical returns of the option, and the participant’s personal investment objectives,

“(ii) include a statement of the right under paragraph (3) of participants and beneficiaries to request, and a description of how participant or beneficiary may request, a copy of the statements received by the plan administrator under section 4980J with respect to the plan, and

“(iii) include the plan fee comparison chart described in subparagraph (C).

“(C) PLAN FEE COMPARISON CHART.—

“(i) IN GENERAL.—

“(I) IN GENERAL.—The notice provided under this paragraph shall include a plan fee comparison chart consisting of a comparison of the service and investment charges that will or could be assessed against the account of the participant or beneficiary with respect to the plan year.

“(II) EXPRESSED AS DOLLAR AMOUNT OR FORMULA.—For purposes of this subparagraph, such charges shall be provided in the form of a dollar amount or as a formula (such as a percentage of assets), as appropriate.

“(ii) CATEGORIZATION OF CHARGES.—The plan fee comparison chart shall provide information in relation to the following categories of charges that will or could be assessed against the account of the participant or beneficiary:

“(I) ASSET-BASED CHARGES SPECIFIC TO INVESTMENT.—Charges that vary depending on the investment options selected by the participant or beneficiary, including the annual operating expenses of the investment option and investment-specific asset-based charges (such as loads, commissions, brokerage fees, exchange fees, redemption fees, and surrender charges). Except as provided by the Secretary of Labor in regulations under this section, the information relating to such charges shall include a statement noting any charges for 1 or more investment options which pay for services other than investment management.

“(II) RECURRING ASSET-BASED CHARGES NOT SPECIFIC TO INVESTMENT.—Charges that are assessed as a percentage of the total assets in the account of the participant or beneficiary, regardless of the investment option selected.

“(III) ADMINISTRATIVE AND TRANSACTION-BASED CHARGES.—Administration and transaction-based charges, including fees charged to participants to cover plan administration, compliance, and record-keeping costs, plan loan origination fees, possible redemption fees, and possible surrender charges, that are not assessed as a percentage of the total assets in the account and are either automatically deducted each year or result from certain transactions engaged in by the participant or beneficiary.

“(IV) OTHER CHARGES.—Any other charges which may be deducted from participants’ or beneficiaries’ accounts and which are not described in subclauses (I), (II), and (III).

“(iii) FEES AND HISTORICAL RETURNS.—The plan fee comparison chart shall include—

“(I) the historical returns, net of fees and expenses, for the previous year, 5 years, and 10 years (or for the period since inception, if shorter) with respect to such investment option, and

“(II) the historical returns of an appropriate benchmark, index, or other point of comparison for each such period.

“(D) MODEL NOTICES.—The Secretary of Labor shall prescribe one or more model notices that may be used for pur-

poses of satisfying the requirements of this paragraph, including model plan fee comparison charts.

“(E) ESTIMATIONS.—For purposes of providing the notice required under this paragraph, the plan administrator may provide a reasonable and representative estimate for any charges or percentages disclosed under subparagraph (B) or (C) and shall indicate whether the amount of any such charges or percentages disclosed is an estimate.

“(2) QUARTERLY BENEFIT STATEMENT.—

“(A) REQUIREMENTS.—The plan administrator shall provide to each participant and beneficiary, at least once each calendar quarter, an explanation describing the investment options in which the participant’s or beneficiary’s account is invested as of the last day of the preceding quarter. Such explanation shall provide, to the extent applicable, the following for the preceding quarter:

“(i) As of the last day of the quarter, a statement of the different asset classes that the participant’s or beneficiary’s account is invested in and the percentage of the account allocated to each asset class.

“(ii) A statement of the starting and ending balance of the participant’s or beneficiary’s account for such quarter.

“(iii) A statement of the total contributions made to the participant’s or beneficiary’s account during the quarter and a separate statement of—

“(I) the amount of such contributions, and the total amount of any restorative payments, which were made by the employer during the quarter, and

“(II) the amount of such contributions which were made by the employee.

“(iv) A statement of the total fees and expenses which were directly deducted from the participant’s or beneficiary’s account during the quarter and an itemization of such fees and expenses.

“(v) A statement of the net returns for the plan year to date, expressed as a percentage, and a statement as to whether the net returns include amounts described in clause (iv).

“(vi) With respect to each investment option in which the participant or beneficiary was invested as of the last day of the quarter, the following:

“(I) A statement of the percentage of the participant’s or beneficiary’s account that is invested in such option as of the last day of such quarter.

“(II) A statement of the starting and ending balance of the participant’s or beneficiary’s account that is invested in such option for such quarter.

“(III) A statement of the annual operating expenses of the investment option.

“(IV) A statement of whether the disclosure described in clause (iv) includes the annual operating expenses of the investment options of the participant or beneficiary.

“(vii) The statement described in paragraph (1)(B)(i)(VI).

“(viii) A statement regarding how a participant or beneficiary may access the information required to be disclosed under paragraph (1).

“(B) MODEL EXPLANATIONS.—The Secretary of Labor shall prescribe one or more model explanations that may be used for purposes of satisfying the requirements of this paragraph.

“(C) DETERMINATION OF EXPENSES.—For purposes of subparagraph (A)(v)(III)—

“(i) Expenses may be expressed as a dollar amount or as a percentage of assets (or a combination thereof).

“(ii) The plan administrator may provide disclosure of the expenses for the quarter or may provide a reasonable and representative estimate of such expenses and shall indicate any such estimate as being an estimate. Any such estimate shall be based on reasonable assumptions stated together with such estimate.

“(iii) To the extent that estimated expenses are expressed as a percentage of assets, the disclosure shall also include one of the following, stated in dollar amounts:

“(I) an estimate of the expenses for the quarter based on the amount invested in the option; or

“(II) an example describing the expenses that would apply during the quarter with respect to a hypothetical \$10,000 investment in the option.

“(3) DISCLOSURE OF SERVICE PROVIDER STATEMENTS.—The plan administrator shall provide to any participant or beneficiary a copy of any statement received pursuant to section 4980J within 30 days after receipt of a request for such a statement.

“(4) NOTICE OF MATERIAL CHANGES.—In the case of any event or other change which causes the information included in any notice described in paragraph (1) to become materially incorrect, the plan administrator shall provide participants and beneficiaries a written statement providing the corrected information not later than 30 days after the plan administrator knows, or exercising reasonable diligence would have known, of such event or other change.

“(5) TIME AND MANNER OF PROVIDING NOTICES AND DISCLOSURES.—

“(A) IN GENERAL.—The notices described in paragraph (1) shall be provided at such times and in such manner as the Secretary of Labor may provide. Other notices and materials required to be provided under this subsection shall be provided in such manner as such Secretary may provide.

“(B) MANNER OF PRESENTATION.—

“(i) IN GENERAL.—All information included in such notices or explanations shall be presented in a manner which is easily understood by the typical participant.

“(ii) GENERIC EXAMPLE OF OPERATING EXPENSES OF INVESTMENT OPTIONS.—The information described in

paragraphs (1)(C)(ii)(I) shall include a generic example describing the charges that would apply during an annual period with respect to a \$10,000 investment in the investment option.

“(C) ANNUAL COMPLIANCE FOR SMALL PLANS.—A plan that has fewer than 100 participants and beneficiaries as of the first day of the plan year may provide the explanation described in paragraph (2) on an annual rather than a quarterly basis.

“(f) DEFINITIONS.—

“(1) APPLICABLE DEFINED CONTRIBUTION PLAN.—The term ‘applicable defined contribution plan’ means the portion of any defined contribution plan which—

“(A) permits a participant or beneficiary to exercise control over assets in his or her account, and

“(B) is described in clauses (iii) through (vi) of section 402(c)(8)(B).

“(2) PLAN ADMINISTRATOR.—The term ‘plan administrator’ has the meaning given such term by section 414(g).

“(g) REGULATIONS.—The Secretary of Labor shall prescribe such regulations or other guidance as may be necessary or appropriate to carry out the purposes of this section, including regulations or other guidance which—

“(1) provide a later deadline for providing the notice of investment menu changes described in subsection (e)(4) in appropriate circumstances, and

“(2) provide guidelines, and a safe harbor, for the selection of an appropriate benchmark, index, or other point of comparison for an investment option under subsection (e)(1)(C)(iii)(II).”.

(b) CLERICAL AMENDMENT.—The table of sections for chapter 43 of such Code is amended by adding at the end the following new items:

“Sec. 4980J. Failure to provide notice of plan fee information to plan administrators.

“Sec. 4980K. Failure to provide notice to participants of plan fee information.”.

**SEC. 324. REGULATORY AUTHORITY AND COORDINATION.**

(a) REGULATORY AUTHORITY.—The Secretary of Labor shall prescribe regulations or other guidance to the extent the Secretary determines necessary or appropriate to carry out the purposes of sections 105, 111, and 112 of the Employee Retirement Income Security Act of 1974 and sections 4980J and 4980K of the Internal Revenue Code of 1986, including regulations or other guidance which—

(1) provide safe harbor and simplified methods for making the allocations described in subsection (a)(1)(D) of such section 111 and subsection (d)(1)(D) of such section 4980J, and

(2) provide special rules for the application of such sections to—

(A) investments with a guaranteed rate of return,

(B) investments with an insurance component, and

(C) employer sponsored retirement plans funded through an individual retirement account.

(3) address notices with respect to investments provided through participant directed brokerage trading,

(4) address the disclosure of information that is not proprietary to the service provider, and

(5) provide rules to allow service providers to consolidate information to satisfy the requirements of such sections with respect to all such service providers.

(b) **CERTAIN ELECTRONIC DISCLOSURES PERMITTED.**—Any disclosure required under section 112 of the Employee Retirement Income Security Act of 1974 or section 4980K of the Internal Revenue Code of 1986 may be provided through an electronic medium under such rules as shall be prescribed under such section by the Secretary of Labor not later than 1 year after the date of the enactment of this Act. Such rules shall be similar to those applicable under the Internal Revenue Code of 1986 with respect to notices to participants in pension plans. Such Secretary shall regularly modify such rules as appropriate to take into account new developments, including new forms of electronic media, and to fairly take into consideration the interests of plan sponsors, service providers, and participants. The rules prescribed by such Secretary pursuant to this subsection shall provide for a method for the typical participant or beneficiary to obtain without undue burden any such disclosure in writing on paper in lieu of receipt through an electronic medium.

**SEC. 325. EFFECTIVE DATE OF SUBTITLE.**

(a) **IN GENERAL.**—The amendments made by this subtitle shall apply to plan years beginning after December 31, 2011.

(b) **APPLICATION OF SERVICE PROVIDER DISCLOSURES TO EXISTING CONTRACTS AND ARRANGEMENTS.**—For purposes of section 111 of the Employee Retirement Income Security Act of 1974 and section 4980J of the Internal Revenue Code of 1986, any contract or arrangement to provide services to a plan which is in effect on January 1, 2012, shall be treated as a new contract or arrangement entered into on such date.

## **TITLE IV—REVENUE OFFSETS**

### **Subtitle A—Foreign Provisions**

**SEC. 401. RULES TO PREVENT SPLITTING FOREIGN TAX CREDITS FROM THE INCOME TO WHICH THEY RELATE.**

(a) **IN GENERAL.**—Subpart A of part III of subchapter N of chapter 1 is amended by adding at the end the following new section:

**“SEC. 909. SUSPENSION OF TAXES AND CREDITS UNTIL RELATED INCOME TAKEN INTO ACCOUNT.**

“(a) **IN GENERAL.**—If there is a foreign tax credit splitting event with respect to a foreign income tax paid or accrued by the taxpayer, such tax shall not be taken into account for purposes of this title before the taxable year in which the related income is taken into account under this chapter by the taxpayer.

“(b) **SPECIAL RULES WITH RESPECT TO SECTION 902 CORPORATIONS.**—If there is a foreign tax credit splitting event with respect to a foreign income tax paid or accrued by a section 902 corporation, such tax shall not be taken into account—

“(1) for purposes of section 902 or 960, or

“(2) for purposes of determining earnings and profits under section 964(a), before the taxable year in which the related income is taken into account under this chapter by such section 902 corporation or a domestic corporation which meets the ownership requirements of subsection (a) or (b) of section 902 with respect to such section 902 corporation.

“(c) SPECIAL RULES.—For purposes of this section—

“(1) APPLICATION TO PARTNERSHIPS, ETC.—In the case of a partnership, subsections (a) and (b) shall be applied at the partner level. Except as otherwise provided by the Secretary, a rule similar to the rule of the preceding sentence shall apply in the case of any S corporation or trust.

“(2) TREATMENT OF FOREIGN TAXES AFTER SUSPENSION.—In the case of any foreign income tax not taken into account by reason of subsection (a) or (b), except as otherwise provided by the Secretary, such tax shall be so taken into account in the taxable year referred to in such subsection (other than for purposes of section 986(a)) as a foreign income tax paid or accrued in such taxable year.

“(d) DEFINITIONS.—For purposes of this section—

“(1) FOREIGN TAX CREDIT SPLITTING EVENT.—There is a foreign tax credit splitting event with respect to a foreign income tax if the related income is (or will be) taken into account under this chapter by a covered person.

“(2) FOREIGN INCOME TAX.—The term ‘foreign income tax’ means any income, war profits, or excess profits tax paid or accrued to any foreign country or to any possession of the United States.

“(3) RELATED INCOME.—The term ‘related income’ means, with respect to any portion of any foreign income tax, the income (or, as appropriate, earnings and profits) to which such portion of foreign income tax relates.

“(4) COVERED PERSON.—The term ‘covered person’ means, with respect to any person who pays or accrues a foreign income tax (hereafter in this paragraph referred to as the ‘payor’)—

“(A) any entity in which the payor holds, directly or indirectly, at least a 10 percent ownership interest (determined by vote or value),

“(B) any person which holds, directly or indirectly, at least a 10 percent ownership interest (determined by vote or value) in the payor,

“(C) any person which bears a relationship to the payor described in section 267(b) or 707(b), and

“(D) any other person specified by the Secretary for purposes of this paragraph.

“(5) SECTION 902 CORPORATION.—The term ‘section 902 corporation’ means any foreign corporation with respect to which one or more domestic corporations meets the ownership requirements of subsection (a) or (b) of section 902.

“(e) REGULATIONS.—The Secretary may issue such regulations or other guidance as is necessary or appropriate to carry out the purposes of this section, including regulations or other guidance which provides—

“(1) appropriate exceptions from the provisions of this section, and

“(2) for the proper application of this section with respect to hybrid instruments.”.

(b) **CLERICAL AMENDMENT.**—The table of sections for subpart A of part III of subchapter N of chapter 1 is amended by adding at the end the following new item:

“Sec. 909. Suspension of taxes and credits until related income taken into account.”.

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to—

(1) foreign income taxes (as defined in section 909(d) of the Internal Revenue Code of 1986, as added by this section) paid or accrued after May 20, 2010, and

(2) foreign income taxes (as so defined) paid or accrued by a section 902 corporation (as so defined) on or before such date (and not deemed paid under section 902(a) or 960 of such Code on or before such date), but only for purposes of applying sections 902 and 960 with respect to periods after such date.

Section 909(b)(2) of the Internal Revenue Code of 1986, as added by this section, shall not apply to foreign income taxes described in paragraph (2).

**SEC. 402. DENIAL OF FOREIGN TAX CREDIT WITH RESPECT TO FOREIGN INCOME NOT SUBJECT TO UNITED STATES TAXATION BY REASON OF COVERED ASSET ACQUISITIONS.**

(a) **IN GENERAL.**—Section 901 is amended by redesignating subsection (m) as subsection (n) and by inserting after subsection (l) the following new subsection:

“(m) **DENIAL OF FOREIGN TAX CREDIT WITH RESPECT TO FOREIGN INCOME NOT SUBJECT TO UNITED STATES TAXATION BY REASON OF COVERED ASSET ACQUISITIONS.**—

“(1) **IN GENERAL.**—In the case of a covered asset acquisition, the disqualified portion of any foreign income tax determined with respect to the income or gain attributable to the relevant foreign assets—

“(A) shall not be taken into account in determining the credit allowed under subsection (a), and

“(B) in the case of a foreign income tax paid by a section 902 corporation (as defined in section 909(d)(5)), shall not be taken into account for purposes of section 902 or 960.

“(2) **COVERED ASSET ACQUISITION.**—For purposes of this section, the term ‘covered asset acquisition’ means—

“(A) a qualified stock purchase (as defined in section 338(d)(3)) to which section 338(a) applies,

“(B) any transaction which—

“(i) is treated as an acquisition of assets for purposes of this chapter, and

“(ii) is treated as the acquisition of stock of a corporation (or is disregarded) for purposes of the foreign income taxes of the relevant jurisdiction,

“(C) any acquisition of an interest in a partnership which has an election in effect under section 754, and

“(D) to the extent provided by the Secretary, any other similar transaction.

“(3) **DISQUALIFIED PORTION.**—For purposes of this section—

“(A) IN GENERAL.—The term ‘disqualified portion’ means, with respect to any covered asset acquisition, for any taxable year, the ratio (expressed as a percentage) of—

“(i) the aggregate basis differences (but not below zero) allocable to such taxable year under subparagraph (B) with respect to all relevant foreign assets, divided by

“(ii) the income on which the foreign income tax referred to in paragraph (1) is determined (or, if the taxpayer fails to substantiate such income to the satisfaction of the Secretary, such income shall be determined by dividing the amount of such foreign income tax by the highest marginal tax rate applicable to such income in the relevant jurisdiction).

“(B) ALLOCATION OF BASIS DIFFERENCE.—For purposes of subparagraph (A)(i)—

“(i) IN GENERAL.—The basis difference with respect to any relevant foreign asset shall be allocated to taxable years using the applicable cost recovery method under this chapter.

“(ii) SPECIAL RULE FOR DISPOSITION OF ASSETS.—Except as otherwise provided by the Secretary, in the case of the disposition of any relevant foreign asset—

“(I) the basis difference allocated to the taxable year which includes the date of such disposition shall be the excess of the basis difference with respect to such asset over the aggregate basis difference with respect to such asset which has been allocated under clause (i) to all prior taxable years, and

“(II) no basis difference with respect to such asset shall be allocated under clause (i) to any taxable year thereafter.

“(C) BASIS DIFFERENCE.—

“(i) IN GENERAL.—The term ‘basis difference’ means, with respect to any relevant foreign asset, the excess of—

“(I) the adjusted basis of such asset immediately after the covered asset acquisition, over

“(II) the adjusted basis of such asset immediately before the covered asset acquisition.

“(ii) BUILT-IN LOSS ASSETS.—In the case of a relevant foreign asset with respect to which the amount described in clause (i)(II) exceeds the amount described in clause (i)(I), such excess shall be taken into account under this subsection as a basis difference of a negative amount.

“(iii) SPECIAL RULE FOR SECTION 338 ELECTIONS.—In the case of a covered asset acquisition described in paragraph (2)(A), the covered asset acquisition shall be treated for purposes of this subparagraph as occurring at the close of the acquisition date (as defined in section 338(h)(2)).

“(4) RELEVANT FOREIGN ASSETS.—For purposes of this section, the term ‘relevant foreign asset’ means, with respect to

any covered asset acquisition, any asset (including any goodwill, going concern value, or other intangible) with respect to such acquisition if income, deduction, gain, or loss attributable to such asset is taken into account in determining the foreign income tax referred to in paragraph (1).

“(5) FOREIGN INCOME TAX.—For purposes of this section, the term ‘foreign income tax’ means any income, war profits, or excess profits tax paid or accrued to any foreign country or to any possession of the United States.

“(6) TAXES ALLOWED AS A DEDUCTION, ETC.—Sections 275 and 78 shall not apply to any tax which is not allowable as a credit under subsection (a) by reason of this subsection.

“(7) REGULATIONS.—The Secretary may issue such regulations or other guidance as is necessary or appropriate to carry out the purposes of this subsection, including to exempt from the application of this subsection certain covered asset acquisitions, and relevant foreign assets with respect to which the basis difference is de minimis.”

(b) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to covered asset acquisitions (as defined in section 901(m)(2) of the Internal Revenue Code of 1986, as added by this section) after—

(A) May 20, 2010, if the transferor and the transferee are related, and

(B) the date of the enactment of this Act in any other case.

(2) TRANSITION RULE.—The amendments made by this section shall not apply to any covered asset acquisition (as so defined) with respect to which the transferor and the transferee are not related if such acquisition is—

(A) made pursuant to a written agreement which was binding on May 20, 2010, and at all times thereafter,

(B) described in a ruling request submitted to the Internal Revenue Service on or before such date, or

(C) described on or before such date in a public announcement or in a filing with the Securities and Exchange Commission.

(3) RELATED PERSONS.—For purposes of this subsection, a person shall be treated as related to another person if the relationship between such persons is described in section 267 or 707(b) of the Internal Revenue Code of 1986.

**SEC. 403. SEPARATE APPLICATION OF FOREIGN TAX CREDIT LIMITATION, ETC., TO ITEMS RESOURCED UNDER TREATIES.**

(a) IN GENERAL.—Subsection (d) of section 904 is amended by redesignating paragraph (6) as paragraph (7) and by inserting after paragraph (5) the following new paragraph:

“(6) SEPARATE APPLICATION TO ITEMS RESOURCED UNDER TREATIES.—

“(A) IN GENERAL.—If—

“(i) without regard to any treaty obligation of the United States, any item of income would be treated as derived from sources within the United States,

“(ii) under a treaty obligation of the United States, such item would be treated as arising from sources outside the United States, and

“(iii) the taxpayer chooses the benefits of such treaty obligation, subsections (a), (b), and (c) of this section and sections 902, 907, and 960 shall be applied separately with respect to each such item.

“(B) COORDINATION WITH OTHER PROVISIONS.—This paragraph shall not apply to any item of income to which subsection (h)(10) or section 865(h) applies.

“(C) REGULATIONS.—The Secretary may issue such regulations or other guidance as is necessary or appropriate to carry out the purposes of this paragraph, including regulations or other guidance which provides that related items of income may be aggregated for purposes of this paragraph.”.

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

**SEC. 404. LIMITATION ON THE AMOUNT OF FOREIGN TAXES DEEMED PAID WITH RESPECT TO SECTION 956 INCLUSIONS.**

(a) IN GENERAL.—Section 960 is amended by adding at the end the following new subsection:

“(c) LIMITATION WITH RESPECT TO SECTION 956 INCLUSIONS.—

“(1) IN GENERAL.—If there is included under section 951(a)(1)(B) in the gross income of a domestic corporation any amount attributable to the earnings and profits of a foreign corporation which is a member of a qualified group (as defined in section 902(b)) with respect to the domestic corporation, the amount of any foreign income taxes deemed to have been paid during the taxable year by such domestic corporation under section 902 by reason of subsection (a) with respect to such inclusion in gross income shall not exceed the amount of the foreign income taxes which would have been deemed to have been paid during the taxable year by such domestic corporation if cash in an amount equal to the amount of such inclusion in gross income were distributed as a series of distributions (determined without regard to any foreign taxes which would be imposed on an actual distribution) through the chain of ownership which begins with such foreign corporation and ends with such domestic corporation.

“(2) AUTHORITY TO PREVENT ABUSE.—The Secretary shall issue such regulations or other guidance as is necessary or appropriate to carry out the purposes of this subsection, including regulations or other guidance which prevent the inappropriate use of the foreign corporation’s foreign income taxes not deemed paid by reason of paragraph (1).”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to acquisitions of United States property (as defined in section 956(c) of the Internal Revenue Code of 1986) after May 20, 2010.

**SEC. 405. SPECIAL RULE WITH RESPECT TO CERTAIN REDEMPTIONS BY FOREIGN SUBSIDIARIES.**

(a) **IN GENERAL.**—Paragraph (5) of section 304(b) is amended by redesignating subparagraph (B) as subparagraph (C) and by inserting after subparagraph (A) the following new subparagraph:

“(B) **SPECIAL RULE IN CASE OF FOREIGN ACQUIRING CORPORATION.**—In the case of any acquisition to which subsection (a) applies in which the acquiring corporation is a foreign corporation, no earnings and profits shall be taken into account under paragraph (2)(A) (and subparagraph (A) shall not apply) if more than 50 percent of the dividends arising from such acquisition (determined without regard to this subparagraph) would not—

“(i) be subject to tax under this chapter for the taxable year in which the dividends arise, or

“(ii) be includible in the earnings and profits of a controlled foreign corporation (as defined in section 957 and without regard to section 953(c)).”

(b) **EFFECTIVE DATE.**—The amendments made by this section shall apply to acquisitions after May 20, 2010.

**SEC. 406. MODIFICATION OF AFFILIATION RULES FOR PURPOSES OF RULES ALLOCATING INTEREST EXPENSE.**

(a) **IN GENERAL.**—Subparagraph (A) of section 864(e)(5) is amended by adding at the end the following: “Notwithstanding the preceding sentence, a foreign corporation shall be treated as a member of the affiliated group if—

“(i) more than 50 percent of the gross income of such foreign corporation for the taxable year is effectively connected with the conduct of a trade or business within the United States, and

“(ii) at least 80 percent of either the vote or value of all outstanding stock of such foreign corporation is owned directly or indirectly by members of the affiliated group (determined with regard to this sentence).”

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

**SEC. 407. TERMINATION OF SPECIAL RULES FOR INTEREST AND DIVIDENDS RECEIVED FROM PERSONS MEETING THE 80-PERCENT FOREIGN BUSINESS REQUIREMENTS.**

(a) **IN GENERAL.**—Paragraph (1) of section 861(a) is amended by striking subparagraph (A) and by redesignating subparagraphs (B) and (C) as subparagraphs (A) and (B), respectively.

(b) **GRANDFATHER RULE WITH RESPECT TO WITHHOLDING ON INTEREST AND DIVIDENDS RECEIVED FROM PERSONS MEETING THE 80-PERCENT FOREIGN BUSINESS REQUIREMENTS.**—

(1) **IN GENERAL.**—Subparagraph (B) of section 871(i)(2) is amended to read as follows:

“(B) The active foreign business percentage of—

“(i) any dividend paid by an existing 80/20 company, and

“(ii) any interest paid by an existing 80/20 company.”

(2) **DEFINITIONS AND SPECIAL RULES.**—Section 871 is amended by redesignating subsections (l) and (m) as subsections (m)

and (n), respectively, and by inserting after subsection (k) the following new subsection:

“(1) RULES RELATING TO EXISTING 80/20 COMPANIES.—For purposes of this subsection and subsection (i)(2)(B)—

“(1) EXISTING 80/20 COMPANY.—

“(A) IN GENERAL.—The term ‘existing 80/20 company’ means any corporation if—

“(i) such corporation met the 80-percent foreign business requirements of section 861(c)(1) (as in effect before the enactment of this subsection) for such corporation’s last taxable year beginning before January 1, 2011,

“(ii) such corporation meets the 80-percent foreign business requirements of subparagraph (B) with respect to each taxable year after the taxable year referred to in clause (i), and

“(iii) there has not been an addition of a substantial line of business with respect to such corporation after the date of the enactment of this subsection.

“(B) FOREIGN BUSINESS REQUIREMENTS.—

“(i) IN GENERAL.—A corporation meets the 80-percent foreign business requirements of this subparagraph if it is shown to the satisfaction of the Secretary that at least 80 percent of the gross income from all sources of such corporation for the testing period is active foreign business income.

“(ii) ACTIVE FOREIGN BUSINESS INCOME.—For purposes of clause (i), the term ‘active foreign business income’ means gross income which—

“(I) is derived from sources outside the United States (as determined under this subchapter), and

“(II) is attributable to the active conduct of a trade or business in a foreign country or possession of the United States.

“(iii) TESTING PERIOD.—For purposes of this subsection, the term ‘testing period’ means the 3-year period ending with the close of the taxable year of the corporation preceding the payment (or such part of such period as may be applicable). If the corporation has no gross income for such 3-year period (or part thereof), the testing period shall be the taxable year in which the payment is made.

“(2) ACTIVE FOREIGN BUSINESS PERCENTAGE.—The term ‘active foreign business percentage’ means, with respect to any existing 80/20 company, the percentage which—

“(A) the active foreign business income of such company for the testing period, is of

“(B) the gross income of such company for the testing period from all sources.

“(3) AGGREGATION RULES.—For purposes of applying paragraph (1) (other than subparagraph (A)(i) thereof) and paragraph (2)—

“(A) IN GENERAL.—The corporation referred to in paragraph (1)(A) and all of such corporation’s subsidiaries shall be treated as one corporation.

“(B) SUBSIDIARIES.—For purposes of subparagraph (A), the term ‘subsidiary’ means any corporation in which the corporation referred to in subparagraph (A) owns (directly or indirectly) stock meeting the requirements of section 1504(a)(2) (determined by substituting ‘50 percent’ for ‘80 percent’ each place it appears and without regard to section 1504(b)(3)).”

“(4) REGULATIONS.—The Secretary may issue such regulations or other guidance as is necessary or appropriate to carry out the purposes of this section, including regulations or other guidance which provide for the proper application of the aggregation rules described in paragraph (3).”

(c) CONFORMING AMENDMENTS.—

(1) Section 861 is amended by striking subsection (c) and by redesignating subsections (d), (e), and (f) as subsections (c), (d), and (e), respectively.

(2) Paragraph (9) of section 904(h) is amended to read as follows:

“(9) TREATMENT OF CERTAIN DOMESTIC CORPORATIONS.—In the case of any dividend treated as not from sources with the United States under section 861(a)(2)(A), the corporation paying such dividend shall be treated for purposes of this subsection as a United States-owned foreign corporation.”

(3) Subsection (c) of section 2104 is amended in the last sentence by striking “or to a debt obligation of a domestic corporation” and all that follows and inserting a period.

(d) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to taxable years beginning after December 31, 2010.

(2) GRANDFATHER RULE FOR OUTSTANDING DEBT OBLIGATIONS.—

(A) IN GENERAL.—The amendments made by this section shall not apply to payments of interest on obligations issued before the date of the enactment of this Act.

(B) EXCEPTION FOR RELATED PARTY DEBT.—Subparagraph (A) shall not apply to any interest which is payable to a related person (determined under rules similar to the rules of section 954(d)(3)).

(C) SIGNIFICANT MODIFICATIONS TREATED AS NEW ISSUES.—For purposes of subparagraph (A), a significant modification of the terms of any obligation (including any extension of the term of such obligation) shall be treated as a new issue.

**SEC. 408. SOURCE RULES FOR INCOME ON GUARANTEES.**

(a) AMOUNTS SOURCED WITHIN THE UNITED STATES.—Subsection (a) of section 861 is amended by adding at the end the following new paragraph:

“(9) GUARANTEES.—Amounts—

“(A) received from noncorporate residents or domestic corporations with respect to guarantees, and

“(B) paid by any foreign person with respect to guarantees if such amount is connected with income which is effectively connected (or treated as effectively connected)

with the conduct of a trade or business in the United States.”.

(b) **AMOUNTS SOURCED WITHOUT THE UNITED STATES.**—Subsection (a) of section 862 is amended by striking “and” at the end of paragraph (7), by striking the period at the end of paragraph (8) and inserting “; and”, and by adding at the end the following new paragraph:

“(9) amounts received with respect to guarantees other than those derived from sources within the United States as provided in section 861(a)(9).”.

(c) **CONFORMING AMENDMENT.**—Clause (ii) of section 864(c)(4)(B) is amended by striking “dividends or interest” and inserting “dividends, interest, or amounts with respect to guarantees”.

(d) **EFFECTIVE DATE.**—The amendments made by this section shall apply to guarantees issued after the date of the enactment of this Act.

**SEC. 409. LIMITATION ON EXTENSION OF STATUTE OF LIMITATIONS FOR FAILURE TO NOTIFY SECRETARY OF CERTAIN FOREIGN TRANSFERS.**

(a) **IN GENERAL.**—Paragraph (8) of section 6501(c) is amended—  
(1) by striking “In the case of any information” and inserting the following:

“(A) **IN GENERAL.**—In the case of any information”, and

(2) by adding at the end the following:

“(B) **APPLICATION TO FAILURES DUE TO REASONABLE CAUSE.**—If the failure to furnish the information referred to in subparagraph (A) is due to reasonable cause and not willful neglect, subparagraph (A) shall apply only to the item or items related to such failure.”.

(b) **EFFECTIVE DATE.**—The amendments made by this section shall take effect as if included in section 513 of the Hiring Incentives to Restore Employment Act.

## **Subtitle B—Personal Service Income Earned in Pass-thru Entities**

**SEC. 411. PARTNERSHIP INTERESTS TRANSFERRED IN CONNECTION WITH PERFORMANCE OF SERVICES.**

(a) **MODIFICATION TO ELECTION TO INCLUDE PARTNERSHIP INTEREST IN GROSS INCOME IN YEAR OF TRANSFER.**—Subsection (c) of section 83 is amended by redesignating paragraph (4) as paragraph (5) and by inserting after paragraph (3) the following new paragraph:

“(4) **PARTNERSHIP INTERESTS.**—Except as provided by the Secretary, in the case of any transfer of an interest in a partnership in connection with the provision of services to (or for the benefit of) such partnership—

“(A) the fair market value of such interest shall be treated for purposes of this section as being equal to the amount of the distribution which the partner would receive if the partnership sold (at the time of the transfer) all of its assets at fair market value and distributed the proceeds of such sale (reduced by the liabilities of the part-

nership) to its partners in liquidation of the partnership, and

“(B) the person receiving such interest shall be treated as having made the election under subsection (b)(1) unless such person makes an election under this paragraph to have such subsection not apply.”.

(b) CONFORMING AMENDMENT.—Paragraph (2) of section 83(b) is amended by inserting “or subsection (c)(4)(B)” after “paragraph (1)”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to interests in partnerships transferred after the date of the enactment of this Act.

**SEC. 412. INCOME OF PARTNERS FOR PERFORMING INVESTMENT MANAGEMENT SERVICES TREATED AS ORDINARY INCOME RECEIVED FOR PERFORMANCE OF SERVICES.**

(a) IN GENERAL.—Part I of subchapter K of chapter 1 is amended by adding at the end the following new section:

**“SEC. 710. SPECIAL RULES FOR PARTNERS PROVIDING INVESTMENT MANAGEMENT SERVICES TO PARTNERSHIP.**

“(a) TREATMENT OF DISTRIBUTIVE SHARE OF PARTNERSHIP ITEMS.—For purposes of this title, in the case of an investment services partnership interest—

“(1) IN GENERAL.—Notwithstanding section 702(b)—

“(A) any net income with respect to such interest for any partnership taxable year shall be treated as ordinary income, and

“(B) any net loss with respect to such interest for such year, to the extent not disallowed under paragraph (2) for such year, shall be treated as an ordinary loss.

All items of income, gain, deduction, and loss which are taken into account in computing net income or net loss shall be treated as ordinary income or ordinary loss (as the case may be).

“(2) TREATMENT OF LOSSES.—

“(A) LIMITATION.—Any net loss with respect to such interest shall be allowed for any partnership taxable year only to the extent that such loss does not exceed the excess (if any) of—

“(i) the aggregate net income with respect to such interest for all prior partnership taxable years, over

“(ii) the aggregate net loss with respect to such interest not disallowed under this subparagraph for all prior partnership taxable years.

“(B) CARRYFORWARD.—Any net loss for any partnership taxable year which is not allowed by reason of subparagraph (A) shall be treated as an item of loss with respect to such partnership interest for the succeeding partnership taxable year.

“(C) BASIS ADJUSTMENT.—No adjustment to the basis of a partnership interest shall be made on account of any net loss which is not allowed by reason of subparagraph (A).

“(D) PRIOR PARTNERSHIP YEARS.—Any reference in this paragraph to prior partnership taxable years shall only include prior partnership taxable years to which this section applies.

“(3) NET INCOME AND LOSS.—For purposes of this section—

“(A) NET INCOME.—The term ‘net income’ means, with respect to any investment services partnership interest for any partnership taxable year, the excess (if any) of—

“(i) all items of income and gain taken into account by the holder of such interest under section 702 with respect to such interest for such year, over

“(ii) all items of deduction and loss so taken into account.

“(B) NET LOSS.—The term ‘net loss’ means, with respect to such interest for such year, the excess (if any) of the amount described in subparagraph (A)(ii) over the amount described in subparagraph (A)(i).

“(4) SPECIAL RULE FOR DIVIDENDS.—Any dividend taken into account in determining net income or net loss for purposes of paragraph (1) shall not be treated as qualified dividend income for purposes of section 1(h).

“(b) DISPOSITIONS OF PARTNERSHIP INTERESTS.—

“(1) GAIN.—Any gain on the disposition of an investment services partnership interest shall be—

“(A) treated as ordinary income, and

“(B) recognized notwithstanding any other provision of this subtitle.

“(2) LOSS.—Any loss on the disposition of an investment services partnership interest shall be treated as an ordinary loss to the extent of the excess (if any) of—

“(A) the aggregate net income with respect to such interest for all partnership taxable years to which this section applies, over

“(B) the aggregate net loss with respect to such interest allowed under subsection (a)(2) for all partnership taxable years to which this section applies.

“(3) EXCEPTION FOR THE DISPOSITION OF AN INTEREST IN A PUBLICLY TRADED PARTNERSHIP BY AN INDIVIDUAL.—Paragraphs (1) and (2) shall not apply in the case of the disposition by an individual of an investment services partnership interest which is an interest in a publicly traded partnership (as defined in section 7704) if neither such individual nor any member of such individual’s family (within the meaning of section 318(a)(1)) has (at any time) provided any of the services described in subsection (c)(1) with respect to assets held (directly or indirectly) by such publicly traded partnership.

“(4) ELECTION WITH RESPECT TO CERTAIN EXCHANGES.—Paragraph (1)(B) shall not apply to the contribution of an investment services partnership interest to a partnership in exchange for an interest in such partnership if—

“(A) the taxpayer makes an irrevocable election to treat the partnership interest received in the exchange as an investment services partnership interest, and

“(B) the taxpayer agrees to comply with such reporting and recordkeeping requirements as the Secretary may prescribe.

“(5) DISPOSITION OF PORTION OF INTEREST.—In the case of any disposition of an investment services partnership interest, the amount of net loss which otherwise would have (but for subsection (a)(2)(C)) applied to reduce the basis of such interest

shall be disregarded for purposes of this section for all succeeding partnership taxable years.

“(6) DISTRIBUTIONS OF PARTNERSHIP PROPERTY.—In the case of any distribution of property by a partnership with respect to any investment services partnership interest held by a partner—

“(A) the excess (if any) of—

“(i) the fair market value of such property at the time of such distribution, over

“(ii) the adjusted basis of such property in the hands of the partnership,

shall be taken into account as an increase in such partner’s distributive share of the taxable income of the partnership (except to the extent such excess is otherwise taken into account in determining the taxable income of the partnership),

“(B) such property shall be treated for purposes of subpart B of part II as money distributed to such partner in an amount equal to such fair market value, and

“(C) the basis of such property in the hands of such partner shall be such fair market value.

Subsection (b) of section 734 shall be applied without regard to the preceding sentence. In the case of a taxpayer which satisfies requirements similar to the requirements of subparagraphs (A) and (B) of paragraph (4), this paragraph and paragraph (1)(B) shall not apply to the distribution of a partnership interest if such distribution is in connection with a contribution (or deemed contribution) of any property of the partnership to which section 721 applies pursuant to a transaction described in paragraph (1)(B) or (2) of section 708(b).

“(7) APPLICATION OF SECTION 751.—In applying section 751, an investment services partnership interest shall be treated as an inventory item.

“(c) INVESTMENT SERVICES PARTNERSHIP INTEREST.—For purposes of this section—

“(1) IN GENERAL.—The term ‘investment services partnership interest’ means any interest in a partnership which is held (directly or indirectly) by any person if it was reasonably expected (at the time that such person acquired such interest) that such person (or any person related to such person) would provide (directly or indirectly) a substantial quantity of any of the following services with respect to assets held (directly or indirectly) by the partnership:

“(A) Advising as to the advisability of investing in, purchasing, or selling any specified asset.

“(B) Managing, acquiring, or disposing of any specified asset.

“(C) Arranging financing with respect to acquiring specified assets.

“(D) Any activity in support of any service described in subparagraphs (A) through (C).

“(2) SPECIFIED ASSET.—The term ‘specified asset’ means securities (as defined in section 475(c)(2) without regard to the last sentence thereof), real estate held for rental or investment, interests in partnerships, commodities (as defined in section

475(e)(2)), or options or derivative contracts with respect to any of the foregoing.

“(3) EXCEPTION FOR FAMILY FARMS.—The term ‘specified asset’ shall not include any farm used for farming purposes if such farm is held by a partnership all of the interests in which are held (directly or indirectly) by members of the same family. Terms used in the preceding sentence which are also used in section 2032A shall have the same meaning as when used in such section.

“(4) RELATED PERSONS.—A person shall be treated as related to another person if the relationship between such persons is described in section 267 or 707(b).

“(d) EXCEPTION FOR CERTAIN CAPITAL INTERESTS.—

“(1) IN GENERAL.—In the case of any portion of an investment services partnership interest which is a qualified capital interest, all items of income, gain, loss, and deduction which are allocated to such qualified capital interest shall not be taken into account under subsection (a) if—

“(A) allocations of items are made by the partnership to such qualified capital interest in the same manner as such allocations are made to other qualified capital interests held by partners who do not provide any services described in subsection (c)(1) and who are not related to the partner holding the qualified capital interest, and

“(B) the allocations made to such other interests are significant compared to the allocations made to such qualified capital interest.

“(2) AUTHORITY TO PROVIDE EXCEPTIONS TO ALLOCATION REQUIREMENTS.—To the extent provided by the Secretary in regulations or other guidance—

“(A) ALLOCATIONS TO PORTION OF QUALIFIED CAPITAL INTEREST.—Paragraph (1) may be applied separately with respect to a portion of a qualified capital interest.

“(B) NO OR INSIGNIFICANT ALLOCATIONS TO NONSERVICE PROVIDERS.—In any case in which the requirements of paragraph (1)(B) are not satisfied, items of income, gain, loss, and deduction shall not be taken into account under subsection (a) to the extent that such items are properly allocable under such regulations or other guidance to qualified capital interests.

“(C) ALLOCATIONS TO SERVICE PROVIDERS’ QUALIFIED CAPITAL INTERESTS WHICH ARE LESS THAN OTHER ALLOCATIONS.—Allocations shall not be treated as failing to meet the requirement of paragraph (1)(A) merely because the allocations to the qualified capital interest represent a lower return than the allocations made to the other qualified capital interests referred to in such paragraph.

“(3) SPECIAL RULE FOR CHANGES IN SERVICES.—In the case of an interest in a partnership which is not an investment services partnership interest and which, by reason of a change in the services with respect to assets held (directly or indirectly) by the partnership, would (without regard to the reasonable expectation exception of subsection (c)(1)) have become such an interest—

“(A) notwithstanding subsection (c)(1), such interest shall be treated as an investment services partnership interest as of the time of such change, and

“(B) for purposes of this subsection, the qualified capital interest of the holder of such partnership interest immediately after such change shall not be less than the fair market value of such interest (determined immediately before such change).

“(4) SPECIAL RULE FOR TIERED PARTNERSHIPS.—Except as otherwise provided by the Secretary, in the case of tiered partnerships, all items which are allocated in a manner which meets the requirements of paragraph (1) to qualified capital interests in a lower-tier partnership shall retain such character to the extent allocated on the basis of qualified capital interests in any upper-tier partnership.

“(5) EXCEPTION FOR NO-SELF-CHARGED CARRY AND MANAGEMENT FEE PROVISIONS.—Except as otherwise provided by the Secretary, an interest shall not fail to be treated as satisfying the requirement of paragraph (1)(A) merely because the allocations made by the partnership to such interest do not reflect the cost of services described in subsection (c)(1) which are provided (directly or indirectly) to the partnership by the holder of such interest (or a related person).

“(6) SPECIAL RULE FOR DISPOSITIONS.—In the case of any investment services partnership interest any portion of which is a qualified capital interest, subsection (b) shall not apply to so much of any gain or loss as bears the same proportion to the entire amount of such gain or loss as—

“(A) the distributive share of gain or loss that would have been allocated to the qualified capital interest (consistent with the requirements of paragraph (1)) if the partnership had sold all of its assets at fair market value immediately before the disposition, bears to

“(B) the distributive share of gain or loss that would have been so allocated to the investment services partnership interest of which such qualified capital interest is a part.

“(7) QUALIFIED CAPITAL INTEREST.—For purposes of this subsection—

“(A) IN GENERAL.—The term ‘qualified capital interest’ means so much of a partner’s interest in the capital of the partnership as is attributable to—

“(i) the fair market value of any money or other property contributed to the partnership in exchange for such interest (determined without regard to section 752(a)),

“(ii) any amounts which have been included in gross income under section 83 with respect to the transfer of such interest, and

“(iii) the excess (if any) of—

“(I) any items of income and gain taken into account under section 702 with respect to such interest, over

“(II) any items of deduction and loss so taken into account.

“(B) ADJUSTMENT TO QUALIFIED CAPITAL INTEREST.—

“(i) DISTRIBUTIONS AND LOSSES.—The qualified capital interest shall be reduced by distributions from the partnership with respect to such interest and by the excess (if any) of the amount described in subparagraph (A)(iii)(II) over the amount described in subparagraph (A)(iii)(I).

“(ii) SPECIAL RULE FOR CONTRIBUTIONS OF PROPERTY.—In the case of any contribution of property described in subparagraph (A)(i) with respect to which the fair market value of such property is not equal to the adjusted basis of such property immediately before such contribution, proper adjustments shall be made to the qualified capital interest to take into account such difference consistent with such regulations or other guidance as the Secretary may provide.

“(8) TREATMENT OF CERTAIN LOANS.—

“(A) PROCEEDS OF PARTNERSHIP LOANS NOT TREATED AS QUALIFIED CAPITAL INTEREST OF SERVICE PROVIDING PARTNERS.—For purposes of this subsection, an investment services partnership interest shall not be treated as a qualified capital interest to the extent that such interest is acquired in connection with the proceeds of any loan or other advance made or guaranteed, directly or indirectly, by any other partner or the partnership (or any person related to any such other partner or the partnership).

“(B) REDUCTION IN ALLOCATIONS TO QUALIFIED CAPITAL INTERESTS FOR LOANS FROM NONSERVICE PROVIDING PARTNERS TO THE PARTNERSHIP.—For purposes of this subsection, any loan or other advance to the partnership made or guaranteed, directly or indirectly, by a partner not providing services described in subsection (c)(1) to the partnership (or any person related to such partner) shall be taken into account in determining the qualified capital interests of the partners in the partnership.

“(e) OTHER INCOME AND GAIN IN CONNECTION WITH INVESTMENT MANAGEMENT SERVICES.—

“(1) IN GENERAL.—If—

“(A) a person performs (directly or indirectly) investment management services for any entity,

“(B) such person holds (directly or indirectly) a disqualified interest with respect to such entity, and

“(C) the value of such interest (or payments thereunder) is substantially related to the amount of income or gain (whether or not realized) from the assets with respect to which the investment management services are performed, any income or gain with respect to such interest shall be treated as ordinary income. Rules similar to the rules of subsections (a)(4) and (d) shall apply for purposes of this subsection.

“(2) DEFINITIONS.—For purposes of this subsection—

“(A) DISQUALIFIED INTEREST.—

“(i) IN GENERAL.—The term ‘disqualified interest’ means, with respect to any entity—

“(I) any interest in such entity other than indebtedness,

“(II) convertible or contingent debt of such entity,

“(III) any option or other right to acquire property described in subclause (I) or (II), and

“(IV) any derivative instrument entered into (directly or indirectly) with such entity or any investor in such entity.

“(ii) EXCEPTIONS.—Such term shall not include—

“(I) a partnership interest,

“(II) except as provided by the Secretary, any interest in a taxable corporation, and

“(III) except as provided by the Secretary, stock in an S corporation.

“(B) TAXABLE CORPORATION.—The term ‘taxable corporation’ means—

“(i) a domestic C corporation, or

“(ii) a foreign corporation substantially all of the income of which is—

“(I) effectively connected with the conduct of a trade or business in the United States, or

“(II) subject to a comprehensive foreign income tax (as defined in section 457A(d)(2)).

“(C) INVESTMENT MANAGEMENT SERVICES.—The term ‘investment management services’ means a substantial quantity of any of the services described in subsection (c)(1).

“(f) REGULATIONS.—The Secretary shall prescribe such regulations or other guidance as is necessary or appropriate to carry out the purposes of this section, including regulations or other guidance to—

“(1) provide modifications to the application of this section (including treating related persons as not related to one another) to the extent such modification is consistent with the purposes of this section,

“(2) prevent the avoidance of the purposes of this section, and

“(3) coordinate this section with the other provisions of this title.

“(g) SPECIAL RULES FOR INDIVIDUALS.—In the case of an individual—

“(1) IN GENERAL.—Subsection (a)(1) shall apply only to the applicable percentage of the net income or net loss referred to in such subsection.

“(2) DISPOSITIONS, ETC.—The amount which (but for this paragraph) would be treated as ordinary income by reason of subsection (b) or (e) shall be the applicable percentage of such amount.

“(3) PRO RATA ALLOCATION TO ITEMS.—For purposes of applying subsections (a) and (e) the aggregate amount treated as ordinary income for any such taxable year shall be allocated ratably among the items of income, gain, loss, and deduction taken into account in determining such amount.

“(4) SPECIAL RULE FOR RECOGNITION OF GAIN.—Gain which (but for this section) would not be recognized shall be recognized by reason of subsection (b) only to the extent that such

gain is treated as ordinary income after application of paragraph (2).

“(5) COORDINATION WITH LIMITATION ON LOSSES.—For purposes of applying paragraph (2) of subsection (a) with respect to any net loss for any taxable year—

“(A) such paragraph shall only apply with respect to the applicable percentage of such net loss for such taxable year,

“(B) in the case of a prior partnership taxable year referred to in clause (i) or (ii) of subparagraph (A) of such paragraph, only the applicable percentage (as in effect for such prior taxable year) of net income or net loss for such prior partnership taxable year shall be taken into account, and

“(C) any net loss carried forward to the succeeding partnership taxable year under subparagraph (B) of such paragraph shall—

“(i) be taken into account in such succeeding year without reduction under this subsection, and

“(ii) in lieu of being taken into account as an item of loss in such succeeding year, shall be taken into account—

“(I) as an increase in net loss or as a reduction in net income (including below zero), as the case may, and

“(II) after any reduction in the amount of such net loss or net income under this subsection.

A rule similar to the rule of the preceding sentence shall apply for purposes of subsection (b)(2)(A).

“(6) COORDINATION WITH TREATMENT OF DIVIDENDS.—Subsection (a)(4) shall only apply to the applicable percentage of dividends described therein.

“(7) APPLICABLE PERCENTAGE.—For purposes of this subsection, the term ‘applicable percentage’ means 75 percent (50 percent in the case of any taxable year beginning before January 1, 2013).

“(h) CROSS REFERENCE.—For 40 percent penalty on certain underpayments due to the avoidance of this section, see section 6662.”

(b) TREATMENT FOR PURPOSES OF SECTION 7704.—Subsection (d) of section 7704 is amended by adding at the end the following new paragraph:

“(6) INCOME FROM INVESTMENT SERVICES PARTNERSHIP INTERESTS NOT QUALIFIED.—

“(A) IN GENERAL.—Items of income and gain shall not be treated as qualifying income if such items are treated as ordinary income by reason of the application of section 710 (relating to special rules for partners providing investment management services to partnership). The preceding sentence shall not apply to any item described in paragraph (1)(E) (or so much of paragraph (1)(F) as relates to paragraph (1)(E)).

“(B) SPECIAL RULES FOR CERTAIN PARTNERSHIPS.—

“(i) CERTAIN PARTNERSHIPS OWNED BY REAL ESTATE INVESTMENT TRUSTS.—Subparagraph (A) shall not

apply in the case of a partnership which meets each of the following requirements:

“(I) Such partnership is treated as publicly traded under this section solely by reason of interests in such partnership being convertible into interests in a real estate investment trust which is publicly traded.

“(II) 50 percent or more of the capital and profits interests of such partnership are owned, directly or indirectly, at all times during the taxable year by such real estate investment trust (determined with the application of section 267(c)).

“(III) Such partnership meets the requirements of paragraphs (2), (3), and (4) of section 856(c).

“(ii) CERTAIN PARTNERSHIPS OWNING OTHER PUBLICLY TRADED PARTNERSHIPS.—Subparagraph (A) shall not apply in the case of a partnership which meets each of the following requirements:

“(I) Substantially all of the assets of such partnership consist of interests in one or more publicly traded partnerships (determined without regard to subsection (b)(2)).

“(II) Substantially all of the income of such partnership is ordinary income or section 1231 gain (as defined in section 1231(a)(3)).

“(C) TRANSITIONAL RULE.—Subparagraph (A) shall not apply to any taxable year of the partnership beginning before the date which is 10 years after the date of the enactment of this paragraph.”

(c) IMPOSITION OF PENALTY ON UNDERPAYMENTS.—

(1) IN GENERAL.—Subsection (b) of section 6662 is amended by inserting after paragraph (7) the following new paragraph:

“(8) The application of subsection (e) of section 710 or the regulations prescribed under section 710(f) to prevent the avoidance of the purposes of section 710.”

(2) AMOUNT OF PENALTY.—

(A) IN GENERAL.—Section 6662 is amended by adding at the end the following new subsection:

“(k) INCREASE IN PENALTY IN CASE OF PROPERTY TRANSFERRED FOR INVESTMENT MANAGEMENT SERVICES.—In the case of any portion of an underpayment to which this section applies by reason of subsection (b)(8), subsection (a) shall be applied with respect to such portion by substituting ‘40 percent’ for ‘20 percent’.”

(B) CONFORMING AMENDMENT.—Subparagraph (B) of section 6662A(e)(2) is amended by striking “or (i)” and inserting “, (i), or (k)”.

(3) SPECIAL RULES FOR APPLICATION OF REASONABLE CAUSE EXCEPTION.—Subsection (c) of section 6664 is amended—

(A) by redesignating paragraphs (3) and (4) as paragraphs (4) and (5), respectively,

(B) by striking “paragraph (3)” in paragraph (5)(A), as so redesignated, and inserting “paragraph (4)”, and

(C) by inserting after paragraph (2) the following new paragraph:

“(3) SPECIAL RULE FOR UNDERPAYMENTS ATTRIBUTABLE TO INVESTMENT MANAGEMENT SERVICES.—

“(A) IN GENERAL.—Paragraph (1) shall not apply to any portion of an underpayment to which this section applies by reason of subsection (b)(8) unless—

“(i) the relevant facts affecting the tax treatment of the item are adequately disclosed,

“(ii) there is or was substantial authority for such treatment, and

“(iii) the taxpayer reasonably believed that such treatment was more likely than not the proper treatment.

“(B) RULES RELATING TO REASONABLE BELIEF.—Rules similar to the rules of subsection (d)(3) shall apply for purposes of subparagraph (A)(iii).”

(d) INCOME AND LOSS FROM INVESTMENT SERVICES PARTNERSHIP INTERESTS TAKEN INTO ACCOUNT IN DETERMINING NET EARNINGS FROM SELF-EMPLOYMENT.—

(1) INTERNAL REVENUE CODE.—Section 1402(a) is amended by striking “and” at the end of paragraph (16), by striking the period at the end of paragraph (17) and inserting “; and”, and by inserting after paragraph (17) the following new paragraph:

“(18) notwithstanding the preceding provisions of this subsection, in the case of any individual engaged in the trade or business of providing services described in section 710(c)(1) with respect to any entity, any amount treated as ordinary income or ordinary loss of such individual under section 710 with respect to such entity shall be taken into account in determining the net earnings from self-employment of such individual.”

(2) SOCIAL SECURITY ACT.—Section 211(a) of the Social Security Act is amended by striking “and” at the end of paragraph (15), by striking the period at the end of paragraph (16) and inserting “; and”, and by inserting after paragraph (16) the following new paragraph:

“(17) Notwithstanding the preceding provisions of this subsection, in the case of any individual engaged in the trade or business of providing services described in section 710(c)(1) of the Internal Revenue Code of 1986 with respect to any entity, any amount treated as ordinary income or ordinary loss of such individual under section 710 of such Code with respect to such entity shall be taken into account in determining the net earnings from self-employment of such individual.”

(e) CONFORMING AMENDMENTS.—

(1) Subsection (d) of section 731 is amended by inserting “section 710(b)(4) (relating to distributions of partnership property),” after “to the extent otherwise provided by”.

(2) Section 741 is amended by inserting “or section 710 (relating to special rules for partners providing investment management services to partnership)” before the period at the end.

(3) The table of sections for part I of subchapter K of chapter 1 is amended by adding at the end the following new item:

“Sec. 710. Special rules for partners providing investment management services to partnership.”

(f) EFFECTIVE DATE.—

(1) **IN GENERAL.**—Except as otherwise provided in this subsection, the amendments made by this section shall apply to taxable years ending after the date of the enactment of this Act.

(2) **PARTNERSHIP TAXABLE YEARS WHICH INCLUDE EFFECTIVE DATE.**—In applying section 710(a) of the Internal Revenue Code of 1986 (as added by this section) in the case of any partnership taxable year which includes the date of the enactment of this Act, the amount of the net income referred to in such section shall be treated as being the lesser of the net income for the entire partnership taxable year or the net income determined by only taking into account items attributable to the portion of the partnership taxable year which is after such date.

(3) **DISPOSITIONS OF PARTNERSHIP INTERESTS.**—Section 710(b) of the Internal Revenue Code of 1986 (as added by this section) shall apply to dispositions and distributions after the date of the enactment of this Act.

(4) **OTHER INCOME AND GAIN IN CONNECTION WITH INVESTMENT MANAGEMENT SERVICES.**—Section 710(e) of such Code (as added by this section) shall take effect on the date of the enactment of this Act.

(5) **WAIVER OF ESTIMATED TAX PENALTIES.**—No addition to tax shall be made under section 6654 of such Code for any failure to pay estimated tax for a taxable year that includes the date of the enactment of this Act with respect to any underpayment to the extent such underpayment was created or increased by this section.

**SEC. 413. EMPLOYMENT TAX TREATMENT OF PROFESSIONAL SERVICE BUSINESSES.**

(a) **IN GENERAL.**—Section 1402 is amended by adding at the end the following new subsection:

“(m) **SPECIAL RULES FOR PROFESSIONAL SERVICE BUSINESSES.**—

“(1) **SHAREHOLDERS PROVIDING SERVICES TO DISQUALIFIED S CORPORATIONS.**—

“(A) **IN GENERAL.**—In the case of any disqualified S corporation, each shareholder of such disqualified S corporation who provides substantial services with respect to the professional service business referred to in subparagraph (C) shall take into account such shareholder’s pro rata share of all items of income or loss described in section 1366 which are attributable to such business in determining the shareholder’s net earnings from self-employment.

“(B) **TREATMENT OF FAMILY MEMBERS.**—Except as otherwise provided by the Secretary, the shareholder’s pro rata share of items referred to in subparagraph (A) shall be increased by the pro rata share of such items of each member of such shareholder’s family (within the meaning of section 318(a)(1)) who does not provide substantial services with respect to such professional service business.

“(C) **DISQUALIFIED S CORPORATION.**—For purposes of this subsection, the term ‘disqualified S corporation’ means—

“(i) any S corporation which is a partner in a partnership which is engaged in a professional service

business if substantially all of the activities of such S corporation are performed in connection with such partnership, and

“(ii) any other S corporation which is engaged in a professional service business if the principal asset of such business is the reputation and skill of 3 or fewer employees.

“(2) PARTNERS.—In the case of any partnership which is engaged in a professional service business, subsection (a)(13) shall not apply to any partner who provides substantial services with respect to such professional service business.

“(3) PROFESSIONAL SERVICE BUSINESS.—For purposes of this subsection, the term ‘professional service business’ means any trade or business if substantially all of the activities of such trade or business involve providing services in the fields of health, law, lobbying, engineering, architecture, accounting, actuarial science, performing arts, consulting, athletics, investment advice or management, or brokerage services.

“(4) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this subsection, including regulations which prevent the avoidance of the purposes of this subsection through tiered entities or otherwise.

“(5) CROSS REFERENCE.—For employment tax treatment of wages paid to shareholders of S corporations, see subtitle C.”.

(b) CONFORMING AMENDMENT.—Section 211 of the Social Security Act is amended by adding at the end the following new subsection:

“(1) SPECIAL RULES FOR PROFESSIONAL SERVICE BUSINESSES.—

“(1) SHAREHOLDERS PROVIDING SERVICES TO DISQUALIFIED S CORPORATIONS.—

“(A) IN GENERAL.—In the case of any disqualified S corporation, each shareholder of such disqualified S corporation who provides substantial services with respect to the professional service business referred to in subparagraph (C) shall take into account such shareholder’s pro rata share of all items of income or loss described in section 1366 of the Internal Revenue Code of 1986 which are attributable to such business in determining the shareholder’s net earnings from self-employment.

“(B) TREATMENT OF FAMILY MEMBERS.—Except as otherwise provided by the Secretary of the Treasury, the shareholder’s pro rata share of items referred to in subparagraph (A) shall be increased by the pro rata share of such items of each member of such shareholder’s family (within the meaning of section 318(a)(1) of the Internal Revenue Code of 1986) who does not provide substantial services with respect to such professional service business.

“(C) DISQUALIFIED S CORPORATION.—For purposes of this subsection, the term ‘disqualified S corporation’ means—

“(i) any S corporation which is a partner in a partnership which is engaged in a professional service business if substantially all of the activities of such S corporation are performed in connection with such partnership, and

“(ii) any other S corporation which is engaged in a professional service business if the principal asset of such business is the reputation and skill of 3 or fewer employees.

“(2) PARTNERS.—In the case of any partnership which is engaged in a professional service business, subsection (a)(12) shall not apply to any partner who provides substantial services with respect to such professional service business.

“(3) PROFESSIONAL SERVICE BUSINESS.—For purposes of this subsection, the term ‘professional service business’ means any trade or business if substantially all of the activities of such trade or business involve providing services in the fields of health, law, lobbying, engineering, architecture, accounting, actuarial science, performing arts, consulting, athletics, investment advice or management, or brokerage services.”

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2010.

## Subtitle C—Corporate Provisions

### SEC. 421. TREATMENT OF SECURITIES OF A CONTROLLED CORPORATION EXCHANGED FOR ASSETS IN CERTAIN REORGANIZATIONS.

(a) IN GENERAL.—Section 361 (relating to nonrecognition of gain or loss to corporations; treatment of distributions) is amended by adding at the end the following new subsection:

“(d) SPECIAL RULES FOR TRANSACTIONS INVOLVING SECTION 355 DISTRIBUTIONS.—In the case of a reorganization described in section 368(a)(1)(D) with respect to which stock or securities of the corporation to which the assets are transferred are distributed in a transaction which qualifies under section 355—

“(1) this section shall be applied by substituting ‘stock other than nonqualified preferred stock (as defined in section 351(g)(2))’ for ‘stock or securities’ in subsections (a) and (b)(1), and

“(2) the first sentence of subsection (b)(3) shall apply only to the extent that the sum of the money and the fair market value of the other property transferred to such creditors does not exceed the adjusted bases of such assets transferred (reduced by the amount of the liabilities assumed (within the meaning of section 357(c))).”

(b) CONFORMING AMENDMENT.—Paragraph (3) of section 361(b) is amended by striking the last sentence.

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to exchanges after the date of the enactment of this Act.

(2) TRANSITION RULE.—The amendments made by this section shall not apply to any exchange pursuant to a transaction which is—

(A) made pursuant to a written agreement which was binding on March 15, 2010, and at all times thereafter;

(B) described in a ruling request submitted to the Internal Revenue Service on or before such date; or

(C) described on or before such date in a public announcement or in a filing with the Securities and Exchange Commission.

**SEC. 422. TAXATION OF BOOT RECEIVED IN REORGANIZATIONS.**

(a) **IN GENERAL.**—Paragraph (2) of section 356(a) is amended—

(1) by striking “If an exchange” and inserting “Except as otherwise provided by the Secretary—

“(A) **IN GENERAL.**—If an exchange”,

(2) by striking “then there shall be” and all that follows through “February 28, 1913” and inserting “then the amount of other property or money shall be treated as a dividend to the extent of the earnings and profits of the corporation”, and

(3) by adding at the end the following new subparagraph:

“(B) **CERTAIN REORGANIZATIONS.**—In the case of a reorganization described in section 368(a)(1)(D) to which section 354(b)(1) applies, in applying subparagraph (A)—

“(i) the earnings and profits of each corporation which is a party to the reorganization shall be taken into account, and

“(ii) the amount which is a dividend (and source thereof) shall be determined under rules similar to the rules of paragraphs (2) and (5) of section 304(b).”.

(b) **EARNINGS AND PROFITS.**—Paragraph (7) of section 312(n) is amended by adding at the end the following: “A similar rule shall apply to an exchange to which section 356(a)(1) applies.”.

(c) **CONFORMING AMENDMENT.**—Paragraph (1) of section 356(a) is amended by striking “then the gain” and inserting “then (except as provided in paragraph (2)) the gain”.

(d) **EFFECTIVE DATE.**—

(1) **IN GENERAL.**—Except as provided in paragraph (2), the amendments made by this section shall apply to exchanges after the date of the enactment of this Act.

(2) **TRANSITION RULE.**—The amendments made by this section shall not apply to any exchange between unrelated persons pursuant to a transaction which is—

(A) made pursuant to a written agreement which was binding on May 20, 2010, and at all times thereafter,

(B) described in a ruling request submitted to the Internal Revenue Service on or before such date, or

(C) described in a public announcement or filing with the Securities and Exchange Commission on or before such date.

(3) **RELATED PERSONS.**—For purposes of this subsection, a person shall be treated as related to another person if the relationship between such persons is described in section 267 or 707(b) of the Internal Revenue Code of 1986.

## **Subtitle D—Other Provisions**

**SEC. 431. MODIFICATIONS WITH RESPECT TO OIL SPILL LIABILITY TRUST FUND.**

(a) **EXTENSION OF APPLICATION OF OIL SPILL LIABILITY TRUST FUND FINANCING RATE.**—Paragraph (2) of section 4611(f) is amend-

ed by striking “December 31, 2017” and inserting “December 31, 2020”.

(b) INCREASE IN OIL SPILL LIABILITY TRUST FUND FINANCING RATE.—Subparagraph (B) of section 4611(c)(2) is amended to read as follows:

“(B) the Oil Spill Liability Trust Fund financing rate is 32 cents a barrel.”

(c) INCREASE IN PER INCIDENT LIMITATIONS ON EXPENDITURES.—Subparagraph (A) of section 9509(c)(2) is amended—

(1) by striking “\$1,000,000,000” in clause (i) and inserting “\$5,000,000,000”,

(2) by striking “\$500,000,000” in clause (ii) and inserting “\$2,500,000,000”, and

(3) by striking “\$1,000,000,000 PER INCIDENT, ETC” in the heading and inserting “PER INCIDENT LIMITATIONS”.

(d) EFFECTIVE DATE.—

(1) EXTENSION OF FINANCING RATE.—Except as provided in paragraph (2), the amendments made by this section shall take effect on the date of the enactment of this Act.

(2) INCREASE IN FINANCING RATE.—The amendment made by subsection (b) shall apply to crude oil received and petroleum products entered during calendar quarters beginning more than 60 days after the date of the enactment of this Act.

**SEC. 432. TIME FOR PAYMENT OF CORPORATE ESTIMATED TAXES.**

The percentage under paragraph (2) of section 561 of the Hiring Incentives to Restore Employment Act in effect on the date of the enactment of this Act is increased by 30.5 percentage points.

## **TITLE V—UNEMPLOYMENT, HEALTH, AND OTHER ASSISTANCE**

### **Subtitle A—Unemployment Insurance and Other Assistance**

**SEC. 501. EXTENSION OF UNEMPLOYMENT INSURANCE PROVISIONS.**

(a) IN GENERAL.—(1) Section 4007 of the Supplemental Appropriations Act, 2008 (Public Law 110–252; 26 U.S.C. 3304 note) is amended—

(A) by striking “June 2, 2010” each place it appears and inserting “December 31, 2010”;

(B) in the heading for subsection (b)(2), by striking “JUNE 2, 2010” and inserting “DECEMBER 31, 2010”; and

(C) in subsection (b)(3), by striking “November 6, 2010” and inserting “May 31, 2011”.

(2) Section 2002(e) of the Assistance for Unemployed Workers and Struggling Families Act, as contained in Public Law 111–5 (26 U.S.C. 3304 note; 123 Stat. 438), is amended—

(A) in paragraph (1)(B), by striking “June 2, 2010” and inserting “December 31, 2010”;

(B) in the heading for paragraph (2), by striking “JUNE 2, 2010” and inserting “DECEMBER 31, 2010”; and

(C) in paragraph (3), by striking “December 7, 2010” and inserting “June 30, 2011”.

(3) Section 2005 of the Assistance for Unemployed Workers and Struggling Families Act, as contained in Public Law 111–5 (26 U.S.C. 3304 note; 123 Stat. 444), is amended—

(A) by striking “June 2, 2010” each place it appears and inserting “January 1, 2011”; and

(B) in subsection (c), by striking “November 6, 2010” and inserting “June 1, 2011”.

(4) Section 5 of the Unemployment Compensation Extension Act of 2008 (Public Law 110–449; 26 U.S.C. 3304 note) is amended by striking “November 6, 2010” and inserting “May 31, 2011”.

(b) FUNDING.—Section 4004(e)(1) of the Supplemental Appropriations Act, 2008 (Public Law 110–252; 26 U.S.C. 3304 note) is amended—

(1) in subparagraph (D), by striking “and” at the end; and

(2) by inserting after subparagraph (E) the following:

“(F) the amendments made by section 501(a)(1) of the American Jobs and Closing Tax Loopholes Act of 2010; and”.

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect as if included in the enactment of the Continuing Extension Act of 2010 (Public Law 111–157).

**SEC. 502. COORDINATION OF EMERGENCY UNEMPLOYMENT COMPENSATION WITH REGULAR COMPENSATION.**

(a) CERTAIN INDIVIDUALS NOT INELIGIBLE BY REASON OF NEW ENTITLEMENT TO REGULAR BENEFITS.—Section 4002 of the Supplemental Appropriations Act, 2008 (Public Law 110–252; 26 U.S.C. 3304 note) is amended by adding at the end the following:

“(g) COORDINATION OF EMERGENCY UNEMPLOYMENT COMPENSATION WITH REGULAR COMPENSATION.—

“(1) If—

“(A) an individual has been determined to be entitled to emergency unemployment compensation with respect to a benefit year,

“(B) that benefit year has expired,

“(C) that individual has remaining entitlement to emergency unemployment compensation with respect to that benefit year, and

“(D) that individual would qualify for a new benefit year in which the weekly benefit amount of regular compensation is at least either \$100 or 25 percent less than the individual’s weekly benefit amount in the benefit year referred to in subparagraph (A),

then the State shall determine eligibility for compensation as provided in paragraph (2).

“(2) For individuals described in paragraph (1), the State shall determine whether the individual is to be paid emergency unemployment compensation or regular compensation for a week of unemployment using one of the following methods:

“(A) The State shall, if permitted by State law, establish a new benefit year, but defer the payment of regular compensation with respect to that new benefit year until exhaustion of all emergency unemployment compensation payable with respect to the benefit year referred to in paragraph (1)(A);

“(B) The State shall, if permitted by State law, defer the establishment of a new benefit year (which uses all the wages and employment which would have been used to establish a benefit year but for the application of this paragraph), until exhaustion of all emergency unemployment compensation payable with respect to the benefit year referred to in paragraph(1)(A);

“(C) The State shall pay, if permitted by State law—

“(i) regular compensation equal to the weekly benefit amount established under the new benefit year, and

“(ii) emergency unemployment compensation equal to the difference between that weekly benefit amount and the weekly benefit amount for the expired benefit year; or

“(D) The State shall determine rights to emergency unemployment compensation without regard to any rights to regular compensation if the individual elects to not file a claim for regular compensation under the new benefit year.”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to individuals whose benefit years, as described in section 4002(g)(1)(B) the Supplemental Appropriations Act, 2008 (Public Law 110–252; 26 U.S.C. 3304 note), as amended by this section, expire after the date of enactment of this Act.

**SEC. 503. EXTENSION OF THE EMERGENCY CONTINGENCY FUND.**

(a) **IN GENERAL.**—Section 403(c) of the Social Security Act (42 U.S.C. 603(c)) is amended—

(1) in paragraph (2)(A), by inserting “, and for fiscal year 2011, \$2,500,000,000” before “for payment”;

(2) by striking paragraph (2)(B) and inserting the following:

“(B) **AVAILABILITY AND USE OF FUNDS.**—

“(i) **FISCAL YEARS 2009 AND 2010.**—The amounts appropriated to the Emergency Fund under subparagraph (A) for fiscal year 2009 shall remain available through fiscal year 2010 and shall be used to make grants to States in each of fiscal years 2009 and 2010 in accordance with paragraph (3), except that the amounts shall remain available through fiscal year 2011 to make grants and payments to States in accordance with paragraph (3)(C) to cover expenditures to subsidize employment positions held by individuals placed in the positions before fiscal year 2011.

“(ii) **FISCAL YEAR 2011.**—Subject to clause (iii), the amounts appropriated to the Emergency Fund under subparagraph (A) for fiscal year 2011 shall remain available through fiscal year 2012 and shall be used to make grants to States based on expenditures in fiscal year 2011 for benefits and services provided in fiscal year 2011 in accordance with the requirements of paragraph (3).

“(iii) **RESERVATION OF FUNDS.**—Of the amounts appropriated to the Emergency Fund under subparagraph (A) for fiscal year 2011, \$500,000 shall be placed in reserve for use in fiscal year 2012, and shall be

used to award grants for any expenditures described in this subsection incurred by States after September 30, 2011.”;

(3) in paragraph (2)(C), by striking “2010” and inserting “2012”;

(4) in paragraph (3)—

(A) in clause (i) of each of subparagraphs (A), (B), and (C)—

(i) by striking “year 2009 or 2010” and inserting “years 2009 through 2011”;

(ii) by striking “and” at the end of subclause (I);

(iii) by striking the period at the end of subclause (II) and inserting “; and”; and

(iv) by adding at the end the following:

“(III) if the quarter is in fiscal year 2011, has provided the Secretary with such information as the Secretary may find necessary in order to make the determinations, or take any other action, described in paragraph (5)(C).”; and

(B) in subparagraph (C), by adding at the end the following:

“(iv) LIMITATION ON EXPENDITURES FOR SUBSIDIZED EMPLOYMENT.—An expenditure for subsidized employment shall be taken into account under clause (ii) only if the expenditure is used to subsidize employment for—

“(I) a member of a needy family (without regard to whether the family is receiving assistance under the State program funded under this part); or

“(II) an individual who has exhausted (or, within 60 days, will exhaust) all rights to receive unemployment compensation under Federal and State law, and who is a member of a needy household.”;

(5) by striking paragraph (5) and inserting the following:

“(5) LIMITATIONS ON PAYMENTS; ADJUSTMENT AUTHORITY.—

“(A) FISCAL YEARS 2009 AND 2010.—The total amount payable to a single State under subsection (b) and this subsection for fiscal years 2009 and 2010 combined shall not exceed 50 percent of the annual State family assistance grant.

“(B) FISCAL YEAR 2011.—Subject to subparagraph (C), the total amount payable to a single State under subsection (b) and this subsection for fiscal year 2011 shall not exceed 30 percent of the annual State family assistance grant.

“(C) ADJUSTMENT AUTHORITY.—If the Secretary determines that the Emergency Fund is at risk of being depleted before September 30, 2011, or that funds are available to accommodate additional State requests under this subsection, the Secretary may, through program instructions issued without regard to the requirements of section 553 of title 5, United States Code—

“(i) specify priority criteria for awarding grants to States during fiscal year 2011; and

“(ii) adjust the percentage limitation applicable under subparagraph (B) with respect to the total amount payable to a single State for fiscal year 2011.”; and

(6) in paragraph (6), by inserting “or for expenditures described in paragraph (3)(C)(iv)” before the period.

(b) CONFORMING AMENDMENTS.—Section 2101 of division B of the American Recovery and Reinvestment Act of 2009 (Public Law 111–5) is amended—

(1) in subsection (a)(2)—

(A) by striking “2010” and inserting “2011”; and

(B) by striking all that follows “repealed” and inserting a period; and

(2) in subsection (d)(1), by striking “2010” and inserting “2011”.

(c) PROGRAM GUIDANCE.—The Secretary of Health and Human Services shall issue program guidance, without regard to the requirements of section 553 of title 5, United States Code, which ensures that the funds provided under the amendments made by this section to a jurisdiction for subsidized employment do not support any subsidized employment position the annual salary of which is greater than, at State option—

(1) 200 percent of the poverty line (within the meaning of section 673(2) of the Omnibus Budget Reconciliation Act of 1981, including any revision required by such section 673(2)) for a family of 4; or

(2) the median wage in the jurisdiction.

## Subtitle B—Health Provisions

### SEC. 511. EXTENSION OF PREMIUM ASSISTANCE FOR COBRA BENEFITS.

(a) IN GENERAL.—Subsection (a)(3)(A) of section 3001 of division B of the American Recovery and Reinvestment Act of 2009 (Public Law 111–5), as amended by section 3(a) of the Continuing Extension Act of 2010 (Public Law 111–157), is amended by striking “May 31, 2010” and inserting “December 31, 2010”.

(b) RULES RELATING TO 2010 EXTENSION.—Subsection (a) of section 3001 of division B of the American Recovery and Reinvestment Act of 2009 (Public Law 111–5), as amended by section 3(b) of the Continuing Extension Act of 2010 (Public Law 111–157), is amended by adding at the end the following:

“(19) ADDITIONAL RULES RELATED TO 2010 EXTENSION.—In the case of an individual who, with regard to coverage described in paragraph (10)(B), experiences a qualifying event related to a termination of employment on or after June 1, 2010, and prior to the date of the enactment of this paragraph, rules similar to those in paragraphs (4)(A) and (7)(C) shall apply with respect to all continuation coverage, including State continuation coverage programs.”.

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect as if included in the provisions of section 3001 of division B of the American Recovery and Reinvestment Act of 2009.

**SEC. 512. EXTENSION OF SECTION 508 RECLASSIFICATIONS.**

(a) **IN GENERAL.**—Section 106(a) of division B of the Tax Relief and Health Care Act of 2006 (42 U.S.C. 1395 note), as amended by section 117 of the Medicare, Medicaid, and SCHIP Extension Act of 2007 (Public Law 110–173), section 124 of the Medicare Improvements for Patients and Providers Act of 2008 (Public Law 110–275), and sections 3137(a) and 10317 of Public Law 111–148, is amended by striking “September 30, 2010” and inserting “September 30, 2011”.

(b) **APPLICATION.**—For fiscal year 2011, the Secretary of Health and Human Services may implement the amendment made by subsection (a) by posting on the Internet website of the Centers for Medicare & Medicaid Services a list of the areas and the hospitals whose reclassifications will be extended pursuant to such amendment. Hospitals located in or reclassified to labor market areas that are affected by such extension may terminate or withdraw their reclassifications by following the procedures included in section 412.273 of title 42, Code of Federal Regulations, except that any request for such termination or withdrawal must be received by the Medicare Geographic Classification Review Board not later than the date that is 5 business days after the day of such posting on the Internet website of the Centers for Medicare & Medicaid Services or June 18, 2010, whichever date is later.

(c) **CONFORMING AMENDMENT.**—Section 117(a)(3) of the Medicare, Medicaid, and SCHIP Extension Act of 2007 (Public Law 110–173), is amended by inserting “in fiscal years 2008 and 2009” after “For purposes of implementation of this subsection”.

**SEC. 513. REPEAL OF DELAY OF RUG-IV.**

Effective as if included in the enactment of Public Law 111–148, section 10325 of such Act is repealed.

**SEC. 514. LIMITATION ON REASONABLE COSTS PAYMENTS FOR CERTAIN CLINICAL DIAGNOSTIC LABORATORY TESTS FURNISHED TO HOSPITAL PATIENTS IN CERTAIN RURAL AREAS.**

Section 3122 of Public Law 111–148 is repealed and the provision of law amended by such section is restored as if such section had not been enacted.

**SEC. 515. FUNDING FOR CLAIMS REPROCESSING.**

For purposes of carrying out the provisions of, and amendments made by, this Act that relate to title XVIII of the Social Security Act, and other provisions of such title that involve reprocessing of claims, there are appropriated to the Secretary of Health and Human Services for the Centers for Medicare & Medicaid Services Program Management Account, from amounts in the general fund of the Treasury not otherwise appropriated, \$175,000,000. Amounts appropriated under the preceding sentence shall remain available until expended.

**SEC. 516. EXTENSION OF ARRA INCREASE IN FMAP.**

(a) **IN GENERAL.**—Section 5001 of the American Recovery and Reinvestment Act of 2009 (Public Law 111–5) is amended—

- (1) in subsection (a)(3), by striking “first calendar quarter” and inserting “first 3 calendar quarters”;
- (2) in subsection (c)—

(A) in paragraph (2)(B), by striking “July 1, 2010” and inserting “January 1, 2011”;

(B) in paragraph (3)(B)(i), by striking “July 1, 2010” and inserting “January 1, 2011” each place it appears; and

(C) in paragraph (4)(C)(ii), by striking “the 3-consecutive-month period beginning with January 2010” and inserting “any 3-consecutive-month period that begins after December 2009 and ends before January 2011”;

(3) in subsection (e), by adding at the end the following:

“Notwithstanding paragraph (5), the increases in the FMAP for a State under this section shall apply to payments under title XIX of such Act that are attributable to expenditures for medical assistance provided to nonpregnant childless adults made eligible under a State plan under such title (including under any waiver under such title or under section 1115 of such Act (42 U.S.C. 1315)) who would have been eligible for child health assistance or other health benefits under eligibility standards in effect as of December 31, 2009, of a waiver of the State child health plan under the title XXI of such Act.”;

(4) in subsection (g)—

(A) in paragraph (1), by striking “September 30, 2011” and inserting “March 31, 2012”;

(B) in paragraph (2)—

(i) by inserting “of such Act” after “1923”; and

(ii) by adding at the end the following new sentence: “Voluntary contributions by a political subdivision to the non-Federal share of expenditures under the State Medicaid plan or to the non-Federal share of payments under section 1923 of the Social Security Act shall not be considered to be required contributions for purposes of this section.”; and

(C) by adding at the end the following:

“(3) CERTIFICATION BY CHIEF EXECUTIVE OFFICER.—No additional Federal funds shall be paid to a State as a result of this section with respect to a calendar quarter occurring during the period beginning on January 1, 2011, and ending on June 30, 2011, unless, not later than 45 days after the date of enactment of this paragraph, the chief executive officer of the State certifies that the State will request and use such additional Federal funds.”; and

(5) in subsection (h)(3), by striking “December 31, 2010” and inserting “June 30, 2011”.

(b) CONFORMING AMENDMENT.—Section 1905(cc) of the Social Security Act (42 U.S.C. 1396d(cc)) is amended by striking the last sentence (relating to the treatment of voluntary contributions).

**SEC. 517. MEDICAID AND CHIP TECHNICAL CORRECTIONS.**

(a) REPEAL OF EXCLUSION OF CERTAIN INDIVIDUALS AND ENTITIES FROM MEDICAID.—Section 6502 of Public Law 111–148 is repealed and the provisions of law amended by such section are restored as if such section had never been enacted. Nothing in the previous sentence shall affect the execution or placement of the insertion made by section 6503 of such Act.

(b) INCOME LEVEL FOR CERTAIN CHILDREN UNDER MEDICAID.—Effective as if included in the enactment of Public Law 111–148, section 2001(a)(5)(B) of such Act is amended by striking all that fol-

lows “is amended” and inserting the following: “by inserting after ‘100 percent’ the following: ‘(or, beginning January 1, 2014, 133 percent)’.”

(c) **CALCULATION AND PUBLICATION OF PAYMENT ERROR RATE MEASUREMENT FOR CERTAIN YEARS.**—Section 601(b) of the Children’s Health Insurance Program Reauthorization Act of 2009 (Public Law 111–3) is amended by adding at the end the following: “The Secretary is not required under this subsection to calculate or publish a national or a State-specific error rate for fiscal year 2009 or fiscal year 2010.”

(d) **CORRECTIONS TO EXCEPTIONS TO EXCLUSION OF CHILDREN OF CERTAIN EMPLOYEES.**—Section 2110(b)(6) of the Social Security Act (42 U.S.C. 1397jj(b)(6)) is amended—

(1) in subparagraph (B)—

(A) by striking “PER PERSON” in the heading; and

(B) by striking “each employee” and inserting “employees”; and

(2) in subparagraph (C), by striking “, on a case-by-case basis,”.

(e) **ELECTRONIC HEALTH RECORDS.**—Effective as if included in the enactment of section 4201(a)(2) of the American Recovery and Reinvestment Act of 2009 (Public Law 111–5), section 1903(t) of the Social Security Act (42 U.S.C. 1396b(t)) is amended—

(1) in paragraph (3)(E), by striking “reduced by any payment that is made to such Medicaid provider from any other source (other than under this subsection or by a State or local government)” and inserting “reduced by the average payment the Secretary estimates will be made to such Medicaid providers (determined on a percentage or other basis for such classes or types of providers as the Secretary may specify) from other sources (other than under this subsection, or by the Federal government or a State or local government)”;

(2) in paragraph (6)(B), by inserting before the period the following: “and shall be determined to have met such responsibility to the extent that the payment to the Medicaid provider is not in excess of 85 percent of the net average allowable cost”.

(f) **CORRECTIONS OF DESIGNATIONS.**—

(1) Section 1902 of the Social Security Act (42 U.S.C. 1396a) is amended—

(A) in subsection (a)(10), in the matter following subparagraph (G), by striking “and” before “(XVI) the medical” and by striking “(XVI) if” and inserting “(XVII) if”; and

(B) in subsection (ii)(2), by striking “(XV)” and inserting “(XVI)”.

(2) Section 2107(e)(1) of the Social Security Act (42 U.S.C. 1397gg(e)(1)) is amended by redesignating the subparagraph (N) of that section added by 2101(e) of Public Law 111–148 as subparagraph (O).

**SEC. 518. ADDITION OF INPATIENT DRUG DISCOUNT PROGRAM TO 340B DRUG DISCOUNT PROGRAM.**

(a) **ADDITION OF INPATIENT DRUG DISCOUNT.**—Title III of the Public Health Service Act is amended by inserting after section 340B (42 U.S.C. 256b) the following:

**“SEC. 340B-1. DISCOUNT INPATIENT DRUGS FOR INDIVIDUALS WITHOUT PRESCRIPTION DRUG COVERAGE.**

**“(a) REQUIREMENTS FOR AGREEMENTS WITH THE SECRETARY.—**

**“(1) IN GENERAL.—**

**“(A) AGREEMENT.—**The Secretary shall enter into an agreement with each manufacturer of covered inpatient drugs under which the amount required to be paid (taking into account any rebate or discount, as provided by the Secretary) to the manufacturer for covered inpatient drugs (other than drugs described in paragraph (3)) purchased by a covered entity on or after January 1, 2011, does not exceed an amount equal to the average manufacturer price for the drug under title XIX of the Social Security Act in the preceding calendar quarter, reduced by the rebate percentage described in paragraph (2). For a covered inpatient drug that also is a covered outpatient drug under section 340B, the amount required to be paid under the preceding sentence shall be equal to the amount required to be paid under section 340B(a)(1) for such drug. The agreement with a manufacturer under this subparagraph may, at the discretion of the Secretary, be included in the agreement with the same manufacturer under section 340B.

**“(B) CEILING PRICE.—**Each such agreement shall require that the manufacturer furnish the Secretary with reports, on a quarterly basis, of the price for each covered inpatient drug subject to the agreement that, according to the manufacturer, represents the maximum price that covered entities may permissibly be required to pay for the drug (referred to in this section as the ‘ceiling price’), and shall require that the manufacturer offer each covered entity covered inpatient drugs for purchase at or below the applicable ceiling price if such drug is made available to any other purchaser at any price.

**“(C) ALLOCATION METHOD.—**Each such agreement shall require that, if the supply of a covered inpatient drug is insufficient to meet demand, then the manufacturer may use an allocation method that is reported in writing to, and approved by, the Secretary and does not discriminate on the basis of the price paid by covered entities or on any other basis related to the participation of an entity in the program under this section.

**“(2) REBATE PERCENTAGE DEFINED.—**

**“(A) IN GENERAL.—**For a covered inpatient drug purchased in a calendar quarter, the ‘rebate percentage’ is the amount (expressed as a percentage) equal to—

**“(i)** the average total rebate required under section 1927(c) of the Social Security Act (or the average total rebate that would be required if the drug were a covered outpatient drug under such section) with respect to the drug (for a unit of the dosage form and strength involved) during the preceding calendar quarter; divided by

**“(ii)** the average manufacturer price for such a unit of the drug during such quarter.

**“(B) OVER THE COUNTER DRUGS.—**

“(i) IN GENERAL.—For purposes of subparagraph (A), in the case of over the counter drugs, the ‘rebate percentage’ shall be determined as if the rebate required under section 1927(c) of the Social Security Act is based on the applicable percentage provided under section 1927(c)(3) of such Act.

“(ii) DEFINITION.—The term ‘over the counter drug’ means a drug that may be sold without a prescription and which is prescribed by a physician (or other persons authorized to prescribe such drug under State law).

“(3) DRUGS PROVIDED UNDER STATE MEDICAID PLANS.—Drugs described in this paragraph are drugs purchased by the entity for which payment is made by the State under the State plan for medical assistance under title XIX of the Social Security Act.

“(4) REQUIREMENTS FOR COVERED ENTITIES.—

“(A) PROHIBITING DUPLICATE DISCOUNTS OR REBATES.—

“(i) IN GENERAL.—A covered entity shall not request payment under title XIX of the Social Security Act for medical assistance described in section 1905(a)(12) of such Act with respect to a drug that is subject to an agreement under this section if the drug is subject to the payment of a rebate to the State under section 1927 of such Act.

“(ii) ESTABLISHMENT OF MECHANISM.—The Secretary shall establish a mechanism to ensure that covered entities comply with clause (i). If the Secretary does not establish a mechanism under the previous sentence within 12 months of the enactment of this section, the requirements of section 1927(a)(5)(C) of the Social Security Act shall apply.

“(iii) PROHIBITING DISCLOSURE TO GROUP PURCHASING ORGANIZATIONS.—In the event that a covered entity is a member of a group purchasing organization, such entity shall not disclose the price or any other information pertaining to any purchases under this section directly or indirectly to such group purchasing organization.

“(B) PROHIBITING RESALE, DISPENSING, OR ADMINISTRATION OF DRUGS EXCEPT TO CERTAIN PATIENTS.—With respect to any covered inpatient drug that is subject to an agreement under this subsection, a covered entity shall not dispense, administer, resell, or otherwise transfer the covered inpatient drug to a person unless—

“(i) such person is a patient of the entity; and

“(ii) such person does not have health plan coverage (as defined in subsection (c)(3)) that provides prescription drug coverage in the inpatient setting with respect to such covered inpatient drug.

For purposes of clause (ii), a person shall be treated as having health plan coverage (as defined in subsection (c)(3)) with respect to a covered inpatient drug if benefits are not payable under such coverage with respect to such

drug for reasons such as the application of a deductible or cost sharing or the use of utilization management.

“(C) AUDITING.—A covered entity shall permit the Secretary and the manufacturer of a covered inpatient drug that is subject to an agreement under this subsection with the entity (acting in accordance with procedures established by the Secretary relating to the number, duration, and scope of audits) to audit at the Secretary’s or the manufacturer’s expense the records of the entity that directly pertain to the entity’s compliance with the requirements described in subparagraph (A) or (B) with respect to drugs of the manufacturer. The use or disclosure of information for performance of such an audit shall be treated as a use or disclosure required by law for purposes of section 164.512(a) of title 45, Code of Federal Regulations.

“(D) ADDITIONAL SANCTION FOR NONCOMPLIANCE.—If the Secretary finds, after notice and hearing, that a covered entity is in violation of a requirement described in subparagraph (A) or (B), the covered entity shall be liable to the manufacturer of the covered inpatient drug that is the subject of the violation in an amount equal to the reduction in the price of the drug (as described in subparagraph (A)) provided under the agreement between the Secretary and the manufacturer under this subsection.

“(E) MAINTENANCE OF RECORDS.—

“(i) IN GENERAL.—A covered entity shall establish and maintain an effective recordkeeping system to comply with this section and shall certify to the Secretary that such entity is in compliance with subparagraphs (A) and (B). The Secretary shall require that hospitals that purchase covered inpatient drugs for inpatient dispensing or administration under this subsection appropriately segregate inventory of such covered inpatient drugs, either physically or electronically, from drugs for outpatient use, as well as from drugs for inpatient dispensing or administration to individuals who have (for purposes of subparagraph (B)) health plan coverage described in clause (ii) of such subparagraph.

“(ii) CERTIFICATION OF NO THIRD-PARTY PAYER.—A covered entity shall maintain records that contain certification by the covered entity that no third party payment was received for any covered inpatient drug that is subject to an agreement under this subsection and that was dispensed to an inpatient.

“(5) TREATMENT OF DISTINCT UNITS OF HOSPITALS.—In the case of a covered entity that is a distinct part of a hospital, the distinct part of the hospital shall not be considered a covered entity under this subsection unless the hospital is otherwise a covered entity under this subsection.

“(6) NOTICE TO MANUFACTURERS.—The Secretary shall notify manufacturers of covered inpatient drugs and single State agencies under section 1902(a)(5) of the Social Security Act of the identities of covered entities under this subsection, and of entities that no longer meet the requirements of paragraph (4),

by means of timely updates of the Internet website supported by the Department of Health and Human Services relating to this section.

“(7) NO PROHIBITION ON LARGER DISCOUNT.—Nothing in this subsection shall prohibit a manufacturer from charging a price for a drug that is lower than the maximum price that may be charged under paragraph (1).

“(b) COVERED ENTITY DEFINED.—In this section, the term ‘covered entity’ means an entity that meets the requirements described in subsection (a)(4) and is one of the following:

“(1) A subsection (d) hospital (as defined in section 1886(d)(1)(B) of the Social Security Act) that—

“(A) is owned or operated by a unit of State or local government, is a public or private non-profit corporation which is formally granted governmental powers by a unit of State or local government, or is a private nonprofit hospital which has a contract with a State or local government to provide health care services to low income individuals who are not entitled to benefits under title XVIII of the Social Security Act or eligible for assistance under the State plan for medical assistance under title XIX of such Act; and

“(B) for the most recent cost reporting period that ended before the calendar quarter involved, had a disproportionate share adjustment percentage (as determined using the methodology under section 1886(d)(5)(F) of the Social Security Act as in effect on the date of enactment of this section) greater than 20.20 percent or was described in section 1886(d)(5)(F)(i)(II) of such Act (as so in effect on the date of enactment of this section).

“(2) A children’s hospital excluded from the Medicare prospective payment system pursuant to section 1886(d)(1)(B)(iii) of the Social Security Act that would meet the requirements of paragraph (1), including the disproportionate share adjustment percentage requirement under subparagraph (B) of such paragraph, if the hospital were a subsection (d) hospital as defined by section 1886(d)(1)(B) of the Social Security Act.

“(3) A free-standing cancer hospital excluded from the Medicare prospective payment system pursuant to section 1886(d)(1)(B)(v) of the Social Security Act that would meet the requirements of paragraph (1), including the disproportionate share adjustment percentage requirement under subparagraph (B) of such paragraph, if the hospital were a subsection (d) hospital as defined by section 1886(d)(1)(B) of the Social Security Act.

“(4) An entity that is a critical access hospital (as determined under section 1820(c)(2) of the Social Security Act), and that meets the requirements of paragraph (1)(A).

“(5) An entity that is a rural referral center, as defined by section 1886(d)(5)(C)(i) of the Social Security Act, or a sole community hospital, as defined by section 1886(d)(5)(C)(iii) of such Act, and that both meets the requirements of paragraph (1)(A) and has a disproportionate share adjustment percentage equal to or greater than 8 percent.

“(c) OTHER DEFINITIONS.—In this section:

“(1) AVERAGE MANUFACTURER PRICE.—

“(A) IN GENERAL.—The term ‘average manufacturer price’—

“(i) has the meaning given such term in section 1927(k) of the Social Security Act, except that such term shall be applied under this section with respect to covered inpatient drugs in the same manner (as applicable) as such term is applied under such section 1927(k) with respect to covered outpatient drugs (as defined in such section); and

“(ii) with respect to a covered inpatient drug for which there is no average manufacturer price (as defined in clause (i)), shall be the amount determined under regulations promulgated by the Secretary under subparagraph (B).

“(B) RULEMAKING.—The Secretary shall by regulation, in consultation with the Administrator of the Centers for Medicare & Medicaid Services, establish a method for determining the average manufacturer price for covered inpatient drugs for which there is no average manufacturer price (as defined in subparagraph (A)(i)). Regulations promulgated with respect to covered inpatient drugs under the preceding sentence shall provide for the application of methods for determining the average manufacturer price that are the same as the methods used to determine such price in calculating rebates required for such drugs under an agreement between a manufacturer and a State that satisfies the requirements of section 1927(b) of the Social Security Act, as applicable.

“(2) COVERED INPATIENT DRUG.—The term ‘covered inpatient drug’ means a drug—

“(A) that is described in section 1927(k)(2) of the Social Security Act;

“(B) that, notwithstanding paragraph (3)(A) of section 1927(k) of such Act, is used in connection with an inpatient service provided by a covered entity that is enrolled to participate in the drug discount program under this section; and

“(C) that is not purchased by the covered entity through or under contract with a group purchasing organization.

“(3) HEALTH PLAN COVERAGE.—The term ‘health plan coverage’ means—

“(A) health insurance coverage (as defined in section 2791, and including coverage under a State health benefits risk pool);

“(B) coverage under a group health plan (as defined in such section, and including coverage under a church plan, a governmental plan, or a collectively bargained plan);

“(C) coverage under a Federal health care program (as defined by section 1128B(f) of the Social Security Act); or

“(D) such other health benefits coverage as the Secretary recognizes for purposes of this section.

“(4) MANUFACTURER.—The term ‘manufacturer’ has the meaning given such term in section 1927(k) of the Social Security Act.

“(d) PROGRAM INTEGRITY.—

“(1) MANUFACTURER COMPLIANCE.—

“(A) IN GENERAL.—From amounts appropriated under subsection (f), the Secretary shall provide for improvements in compliance by manufacturers with the requirements of this section in order to prevent overcharges and other violations of the discounted pricing requirements specified in this section.

“(B) IMPROVEMENTS.—The improvements described in subparagraph (A) shall include the following:

“(i) The establishment of a process to enable the Secretary to verify the accuracy of ceiling prices calculated by manufacturers under subsection (a)(1) and charged to covered entities, which shall include the following:

“(I) Developing and publishing through an appropriate policy or regulatory issuance, precisely defined standards and methodology for the calculation of ceiling prices under such subsection.

“(II) Comparing regularly the ceiling prices calculated by the Secretary with the quarterly pricing data that is reported by manufacturers to the Secretary.

“(III) Conducting periodic monitoring of sales transactions by covered entities.

“(IV) Inquiring into any discrepancies between ceiling prices and manufacturer pricing data that may be identified and taking, or requiring manufacturers to take, corrective action in response to such discrepancies, including the issuance of refunds pursuant to the procedures set forth in clause (ii).

“(ii) The establishment of procedures for manufacturers to issue refunds to covered entities in the event that there is an overcharge by the manufacturers, including the following:

“(I) Providing the Secretary with an explanation of why and how the overcharge occurred, how the refunds will be calculated, and to whom the refunds will be issued.

“(II) Oversight by the Secretary to ensure that the refunds are issued accurately and within a reasonable period of time.

“(iii) The provision of access through the Internet website supported by the Department of Health and Human Services to the applicable ceiling prices for covered inpatient drugs as calculated and verified by the Secretary in accordance with this section, in a manner (such as through the use of password protection) that limits such access to covered entities and adequately assures security and protection of privileged pricing data from unauthorized re-disclosure.

“(iv) The development of a mechanism by which—

“(I) rebates, discounts, or other price concessions provided by manufacturers to other purchasers

subsequent to the sale of covered inpatient drugs to covered entities are reported to the Secretary; and

“(II) appropriate credits and refunds are issued to covered entities if such discounts, rebates, or other price concessions have the effect of lowering the applicable ceiling price for the relevant quarter for the drugs involved.

“(v) Selective auditing of manufacturers and wholesalers to ensure the integrity of the drug discount program under this section.

“(vi) The establishment of a requirement that manufacturers and wholesalers use the identification system developed by the Secretary for purposes of facilitating the ordering, purchasing, and delivery of covered inpatient drugs under this section, including the processing of chargebacks for such drugs.

“(vii) The imposition of sanctions in the form of civil monetary penalties, which—

“(I) shall be assessed according to standards and procedures established in regulations to be promulgated by the Secretary not later than January 1, 2011;

“(II) shall not exceed \$10,000 per single dosage form of a covered inpatient drug purchased by a covered entity where a manufacturer knowingly charges such covered entity a price for such drug that exceeds the ceiling price under subsection (a)(1); and

“(III) shall not exceed \$100,000 for each instance where a manufacturer withholds or provides materially false information to the Secretary or to covered entities under this section or knowingly violates any provision of this section (other than subsection (a)(1)).

“(2) COVERED ENTITY COMPLIANCE.—

“(A) IN GENERAL.—From amounts appropriated under subsection (f), the Secretary shall provide for improvements in compliance by covered entities with the requirements of this section in order to prevent diversion and violations of the duplicate discount provision and other requirements specified under subsection (a)(4).

“(B) IMPROVEMENTS.—The improvements described in subparagraph (A) shall include the following:

“(i) The development of procedures to enable and require covered entities to update at least annually the information on the Internet website supported by the Department of Health and Human Services relating to this section.

“(ii) The development of procedures for the Secretary to verify the accuracy of information regarding covered entities that is listed on the website described in clause (i).

“(iii) The development of more detailed guidance describing methodologies and options available to cov-

ered entities for billing covered inpatient drugs to State Medicaid agencies in a manner that avoids duplicate discounts pursuant to subsection (a)(4)(A).

“(iv) The establishment of a single, universal, and standardized identification system by which each covered entity site and each covered entity’s purchasing status under sections 340B and this section can be identified by manufacturers, distributors, covered entities, and the Secretary for purposes of facilitating the ordering, purchasing, and delivery of covered inpatient drugs under this section, including the processing of chargebacks for such drugs.

“(v) The imposition of sanctions in the form of civil monetary penalties, which—

“(I) shall be assessed according to standards and procedures established in regulations promulgated by the Secretary; and

“(II) shall not exceed \$10,000 for each instance where a covered entity knowingly violates subsection (a)(4)(B) or knowingly violates any other provision of this section.

“(vi) The termination of a covered entity’s participation in the program under this section, for a period of time to be determined by the Secretary, in cases in which the Secretary determines, in accordance with standards and procedures established by regulation, that—

“(I) the violation by a covered entity of a requirement of this section was repeated and knowing; and

“(II) imposition of a monetary penalty would be insufficient to reasonably ensure compliance with the requirements of this section.

“(vii) The referral of matters, as appropriate, to the Food and Drug Administration, the Office of the Inspector General of the Department of Health and Human Services, or other Federal or State agencies.

“(3) ADMINISTRATIVE DISPUTE RESOLUTION PROCESS.—From amounts appropriated under subsection (f), the Secretary may establish and implement an administrative process for the resolution of the following:

“(A) Claims by covered entities that manufacturers have violated the terms of their agreement with the Secretary under subsection (a)(1).

“(B) Claims by manufacturers that covered entities have violated subsection (a)(4)(A) or (a)(4)(B).

“(e) AUDIT AND SANCTIONS.—

“(1) AUDIT.—From amounts appropriated under subsection (f), the Inspector General of the Department of Health and Human Services (referred to in this subsection as the ‘Inspector General’) shall audit covered entities under this section to verify compliance with criteria for eligibility and participation under this section, including the antidiversion prohibitions under subsection (a)(4)(B), and take enforcement action or provide information to the Secretary who shall take action to en-

sure program compliance, as appropriate. A covered entity shall provide to the Inspector General, upon request, records relevant to such audits.

“(2) REPORT.—For each audit conducted under paragraph (1), the Inspector General shall prepare and publish in a timely manner a report which shall include findings and recommendations regarding—

“(A) the appropriateness of covered entity eligibility determinations and, as applicable, certifications;

“(B) the effectiveness of antidiversion prohibitions; and

“(C) the effectiveness of restrictions on inpatient dispensing and administration.

“(f) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this section such sums as may be necessary for fiscal year 2011 and each succeeding fiscal year.”.

(b) RULEMAKING.—Not later than January 1, 2011, the Secretary shall promulgate regulations implementing section 340B–1 of the Public Health Service Act (as added by subsection (a)).

(c) CONFORMING AMENDMENT TO SECTION 340B.—Paragraph (1) of section 340B(a) of the Public Health Service Act (42 U.S.C. 256b(a)) is amended by adding at the end the following: “Such agreement shall further require that, if the supply of a covered outpatient drug is insufficient to meet demand, then the manufacturer may use an allocation method that is reported in writing to, and approved by, the Secretary and does not discriminate on the basis of the price paid by covered entities or on any other basis related to the participation of an entity in the program under this section. The agreement with a manufacturer under this paragraph may, at the discretion of the Secretary, be included in the agreement with the same manufacturer under section 340B–1.”.

(d) CONFORMING AMENDMENTS TO MEDICAID.—Section 1927 of the Social Security Act (42 U.S.C. 1396r–8) is amended—

(1) in subsection (a)—

(A) in paragraph (1), in the first sentence, by striking “and paragraph (6)” and inserting “, paragraph (6), and paragraph (8)”; and

(B) by adding at the end the following new paragraph:

“(8) LIMITATION ON PRICES OF DRUGS PURCHASED BY 340B–1-COVERED ENTITIES.—

“(A) AGREEMENT WITH SECRETARY.—A manufacturer meets the requirements of this paragraph if the manufacturer has entered into an agreement with the Secretary that meets the requirements of section 340B–1 of the Public Health Service Act with respect to covered inpatient drugs (as defined in such section) purchased by a 340B–1-covered entity on or after January 1, 2011.

“(B) 340B–1-COVERED ENTITY DEFINED.—In this subsection, the term ‘340B–1-covered entity’ means an entity described in section 340B–1(b) of the Public Health Service Act.”; and

(2) in subsection (c)(1)(C)(i)(I)—

(A) by striking “or” before “a covered entity”; and

(B) by inserting before the semicolon the following: “, or a covered entity for a covered inpatient drug (as such

terms are defined in section 340B–1of the Public Health Service Act”).

**SEC. 519. CONTINUED INCLUSION OF ORPHAN DRUGS IN DEFINITION OF COVERED OUTPATIENT DRUGS WITH RESPECT TO CHILDREN’S HOSPITALS UNDER THE 340B DRUG DISCOUNT PROGRAM.**

(a) DEFINITION OF COVERED OUTPATIENT DRUG.—

(1) AMENDMENT.—Subsection (e) of section 340B of the Public Health Service Act (42 U.S.C. 256b) is amended by striking “covered entities described in subparagraph (M)” and inserting “covered entities described in subparagraph (M) (other than a children’s hospital described in subparagraph (M))”.

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall take effect as if included in the enactment of section 2302 of the Health Care and Education Reconciliation Act of 2010 (Public Law 111–152).

(b) TECHNICAL AMENDMENT.—Subparagraph (B) of section 1927(a)(5) of the Social Security Act (42 U.S.C. 1396r–8(a)(5)) is amended by striking “and a children’s hospital” and all that follows through the end of the subparagraph and inserting a period.

**SEC. 520. CONFORMING AMENDMENT RELATED TO WAIVER OF COINSURANCE FOR PREVENTIVE SERVICES.**

Effective as if included in section 10501(i)(2)(A) of Public Law 111–148, section 1833(a)(3)(A) of the Social Security Act (42 U.S.C. 1395l(a)(3)(A)) is amended by striking “section 1861(s)(10)(A)” and inserting “section 1861(ddd)(3)”.

**SEC. 521. ESTABLISH A CMS-IRS DATA MATCH TO IDENTIFY FRAUDULENT PROVIDERS.**

(a) AUTHORITY TO DISCLOSE RETURN INFORMATION CONCERNING OUTSTANDING TAX DEBTS FOR PURPOSES OF ENHANCING MEDICARE PROGRAM INTEGRITY.—

(1) IN GENERAL.—Section 6103(l) of the Internal Revenue Code of 1986 is amended by adding at the end the following new paragraph:

“(22) DISCLOSURE OF RETURN INFORMATION TO DEPARTMENT OF HEALTH AND HUMAN SERVICES FOR PURPOSES OF ENHANCING MEDICARE PROGRAM INTEGRITY.—

“(A) IN GENERAL.—The Secretary shall, upon written request from the Secretary of Health and Human Services, disclose to officers and employees of the Department of Health and Human Services return information with respect to a taxpayer who has applied to enroll, or reenroll, as a provider of services or supplier under the Medicare program under title XVIII of the Social Security Act. Such return information shall be limited to—

“(i) the taxpayer identity information with respect to such taxpayer;

“(ii) the amount of the delinquent tax debt owed by that taxpayer; and

“(iii) the taxable year to which the delinquent tax debt pertains.

“(B) RESTRICTION ON DISCLOSURE.—Return information disclosed under subparagraph (A) may be used by officers and employees of the Department of Health and Human Services for the purposes of, and to the extent necessary

in, establishing the taxpayer's eligibility for enrollment or reenrollment in the Medicare program, or in any administrative or judicial proceeding relating to, or arising from, a denial of such enrollment or reenrollment, or in determining the level of enhanced oversight to be applied with respect to such taxpayer pursuant to section 1866(j)(3) of the Social Security Act.

“(C) DELINQUENT TAX DEBT.—For purposes of this paragraph, the term ‘delinquent tax debt’ means an outstanding debt under this title for which a notice of lien has been filed pursuant to section 6323, but the term does not include a debt that is being paid in a timely manner pursuant to an agreement under section 6159 or 7122, or a debt with respect to which a collection due process hearing under section 6330 is requested, pending, or completed and no payment is required.”

(2) CONFORMING AMENDMENTS.—Section 6103(p)(4) of such Code, as amended by sections 1414 and 3308 of Public Law 111–148, in the matter preceding subparagraph (A) and in subparagraph (F)(ii), is amended by striking “or (17)” and inserting “(17), or (22)” each place it appears.

(b) SECRETARY'S AUTHORITY TO USE INFORMATION FROM THE DEPARTMENT OF TREASURY IN MEDICARE ENROLLMENTS AND REENROLLMENTS.—Section 1866(j)(2) of the Social Security Act (42 U.S.C. 1395cc(j)), as inserted by section 6401(a) of Public Law 111–148, is further amended—

(1) by redesignating subparagraph (E) as subparagraph (F); and

(2) by inserting after subparagraph (D) the following new subparagraph:

“(E) USE OF INFORMATION FROM THE DEPARTMENT OF TREASURY CONCERNING TAX DEBTS.—In reviewing the application of a provider of services or supplier to enroll or reenroll under the program under this title, the Secretary shall take into account the information supplied by the Secretary of the Treasury pursuant to section 6103(l)(22) of the Internal Revenue Code of 1986, in determining whether to deny such application or to apply enhanced oversight to such provider of services or supplier pursuant to paragraph (3) if the Secretary determines such provider of services or supplier owes such a debt.”

(c) AUTHORITY TO ADJUST PAYMENTS OF PROVIDERS OF SERVICES AND SUPPLIERS WITH THE SAME TAX IDENTIFICATION NUMBER FOR MEDICARE OBLIGATIONS.—Section 1866(j)(5) of the Social Security Act (42 U.S.C. 1395cc(j)(5)), as inserted by section 6401(a) of Public Law 111–148, is amended—

(1) in the paragraph heading, by striking “PAST-DUE” and inserting “MEDICARE”;

(2) in subparagraph (A), by striking “past-due obligations described in subparagraph (B)(ii) of an” and inserting “amount described in subparagraph (B)(ii) due from such”; and

(3) in subparagraph (B)(ii), by striking “a past-due obligation” and inserting “an amount that is more than the amount required to be paid”.

**SEC. 522. CLARIFICATION OF EFFECTIVE DATE OF PART B SPECIAL ENROLLMENT PERIOD FOR DISABLED TRICARE BENEFICIARIES.**

Effective as if included in the enactment of Public Law 111-148, section 3110(a)(2) of such Act is amended to read as follows:

“(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply to elections made after the date of the enactment of this Act.”.

**SEC. 523. MEDICARE SUSTAINABLE GROWTH RATE REFORM.**

(a) TRANSITIONAL UPDATE FOR THE SECOND PORTION OF 2010 AND 2011.—Subsection (d) of section 1848 of the Social Security Act (42 U.S.C. 1395w-4) is amended—

(1) in the heading of paragraph (10), by striking “PORTION” and inserting “THE FIRST PORTION”; and

(2) by adding at the end the following new paragraphs:

“(11) UPDATE FOR THE SECOND PORTION OF 2010.—In lieu of the update to the single conversion factor established in paragraph (1)(C) that would otherwise apply for 2010 for the period beginning on June 1, 2010, and ending on December 31, 2010, the update to the single conversion factor shall be 1.3 percent.

“(12) UPDATE FOR 2011.—In lieu of the update to the single conversion factor established in paragraph (1)(C) that would otherwise apply for 2011, the update to the single conversion factor shall be 1.0 percent.”.

(b) REBASING SGR USING 2010 AND LIMITATION ON CUMULATIVE ADJUSTMENT PERIOD DURING SGR REFORM PERIOD.—

(1) IN GENERAL.—Subsection (d)(4) of such section is amended—

(A) in subparagraph (B), by striking “subparagraph (D)” and inserting “subparagraphs (D) and (G)”; and

(B) by adding at the end the following new subparagraph:

“(G) REBASING USING 2010 FOR UPDATE ADJUSTMENTS DURING SGR REFORM PERIOD.—In determining the update adjustment factor under subparagraph (B) for years during the SGR reform period—

“(i) the allowed expenditures for 2010 shall be equal to the amount of the actual expenditures for physicians’ services during 2010; and

“(ii) the reference in subparagraph (B)(ii)(I) to ‘April 1, 1996’ shall be treated as a reference to ‘January 1, 2010 (or, if later, the first day of the fifth year before the year involved)’.”.

(2) SGR REFORM PERIOD DEFINED.—Subsection (j) of such section, as amended by subsection (d)(1), is amended by adding at the end the following new paragraph:

“(6) SGR REFORM PERIOD.—The term ‘SGR reform period’ means the period beginning January 1, 2012, and ending on December 31, 2013.”.

(c) LIMITATION ON PHYSICIANS’ SERVICES INCLUDED IN TARGET GROWTH RATE COMPUTATION TO SERVICES COVERED UNDER PHYSICIAN FEE SCHEDULE DURING THE SGR REFORM PERIOD.—Subsection (f)(4)(A) of such section is amended to read as follows:

“(A) SERVICES INCLUDED IN PHYSICIANS’ SERVICES.—

“(i) IN GENERAL.—Except as provided in clause (ii), the term ‘physicians’ services’ includes other items and services (such as clinical diagnostic laboratory tests and radiology services), specified by the Secretary, that are commonly performed or furnished by a physician or in a physician’s office, but does not include services furnished to a Medicare Advantage plan enrollee.

“(ii) DURING SGR REFORM PERIOD.—Effective for services furnished on or after January 1, 2010, with respect to the application of this subsection during the SGR reform period, the term ‘physicians’ services’ includes—

“(I) other items and services for which payment under this part is made under the fee schedule under this section;

“(II) services of practitioners described in section 1842(b)(18)(C) for which payment is made on a basis related to such fee schedule; and

“(III) services described in section 1861(p) (other than such services when furnished in the facility of a provider of services) for which payment is made on a basis related to such fee schedule;

but does not include services furnished to a Medicare Advantage plan enrollee.”.

(d) ESTABLISHMENT OF SEPARATE TARGET GROWTH RATES FOR CATEGORIES OF SERVICES.—

(1) ESTABLISHMENT OF SERVICE CATEGORIES.—Subsection (j) of such section is amended by adding after paragraph (4) the following new paragraph:

“(5) SERVICE CATEGORIES.—For services furnished on or after January 1, 2010, each of the following categories of physicians’ services (as defined in paragraph (3)) shall be treated as a separate ‘service category’:

“(A) Evaluation and management services and preventive services that are procedure codes (for services covered under this title) for—

“(i) services in the category designated Evaluation and Management in the Health Care Common Procedure Coding System (established by the Secretary under subsection (c)(5) as of December 31, 2009, and as subsequently modified by the Secretary); and

“(ii) preventive services (as defined in section 1861(ddd)(3)) for which payment is made under this section.

“(B) All other services not described in subparagraph (A).

Service categories established under this paragraph shall apply without regard to the specialty of the physician furnishing the service.”.

(2) ESTABLISHMENT OF SEPARATE CONVERSION FACTORS FOR EACH SERVICE CATEGORY DURING SGR REFORM PERIOD.—Subsection (d)(1) of such section is amended—

(A) in subparagraph (A)—

(i) by designating the sentence beginning “The conversion factor” as clause (i) with the heading “APPLICATION OF SINGLE CONVERSION FACTOR.—” and with appropriate indentation;

(ii) by striking “The conversion factor” and inserting “Subject to clause (ii), the conversion factor”; and

(iii) by adding at the end the following new clause:

“(i) APPLICATION OF MULTIPLE CONVERSION FACTORS DURING SGR REFORM PERIOD.—

“(I) IN GENERAL.—In applying clause (i) for years during the SGR reform period, separate conversion factors shall be established for each service category of physicians’ services (as defined in subsection (j)(5)) and any reference in this section to a conversion factor for such years shall be deemed to be a reference to the conversion factor for each of such categories.

“(II) INITIAL CONVERSION FACTORS.—Such factors for 2012 shall be based upon the single conversion factor as in effect on December 31, 2011, updated in accordance with paragraph (13) for such category for 2012.

“(III) UPDATING OF CONVERSION FACTORS.—Such factor for a service category for a subsequent year during the SGR reform period shall be based upon the conversion factor for such category for the previous year updated in accordance with paragraph (13) for such category for the year involved.”; and

(B) in subparagraph (D), by adding at the end the following: “For purposes of applying the previous sentence to a year during the SGR reform period, the reference to ‘other physicians’ services’ is deemed a reference to ‘physicians’ services described in the service category described in subsection (j)(5)(B).”.

(3) ESTABLISHING UPDATES FOR CONVERSION FACTORS FOR SERVICE CATEGORIES DURING SGR REFORM PERIOD.—Subsection (d) of such section, as amended by subsection (a), is amended—

(A) in paragraph (4)(C)(iii), by striking “The allowed” and inserting “Subject to paragraph (13)(B), the allowed”; and

(B) by adding at the end the following new paragraph:

“(13) UPDATES FOR SERVICE CATEGORIES BEGINNING WITH 2012 DURING SGR REFORM PERIOD.—The following rules apply during the SGR reform period:

“(A) IN GENERAL.—In applying paragraph (4) for a year beginning with 2012, the following rules apply:

“(i) APPLICATION OF SEPARATE UPDATE ADJUSTMENTS FOR EACH SERVICE CATEGORY.—Pursuant to paragraph (1)(A)(ii)(I), the update shall be made to the conversion factor for each service category (as defined in subsection (j)(5)) based upon an update adjustment factor for the respective category and year and such update adjustment factor shall be computed, for a year, separately for each service category.

“(ii) COMPUTATION OF ALLOWED AND ACTUAL EXPENDITURES BASED ON SERVICE CATEGORIES.—In computing the prior year adjustment component and the cumulative adjustment component under clauses (i) and (ii) of paragraph (4)(B) for a service category, the following rules apply:

“(I) APPLICATION BASED ON SERVICE CATEGORIES.—The allowed expenditures and actual expenditures shall be the allowed and actual expenditures for the service category, as determined under subparagraph (B).

“(II) APPLICATION OF CATEGORY SPECIFIC TARGET GROWTH RATE.—The growth rate applied under clause (ii)(II) of such paragraph shall be the target growth rate for the service category involved under subsection (f)(5).

“(iii) NO NEGATIVE UPDATE.—In no case shall the update to any conversion factor be less than 0.

“(iv) MODIFICATION OF RESTRICTION ON UPDATE RESTRICTION FACTOR.—In applying paragraph (4)(D), ‘-0.04’ shall be substituted for ‘-0.07’.

“(B) DETERMINATION OF ALLOWED EXPENDITURES.—In applying paragraph (4) for a year beginning with 2011, notwithstanding subparagraph (C)(iii) of such paragraph, the allowed expenditures for a service category for a year is an amount computed by the Secretary as follows:

“(i) FOR 2011.—For 2011:

“(I) TOTAL 2010 ACTUAL EXPENDITURES FOR ALL SERVICES INCLUDED IN SGR COMPUTATION FOR EACH SERVICE CATEGORY.—Compute total actual expenditures for physicians’ services (as defined in subsection (f)(4)(A)(ii)) for 2010 for each service category.

“(II) INCREASE BY GROWTH RATE TO OBTAIN 2011 ALLOWED EXPENDITURES FOR SERVICE CATEGORY.—Compute allowed expenditures for the service category for 2011 by increasing the allowed expenditures for the service category for 2010 computed under subclause (I) by the target growth rate for such service category under subsection (f) for 2011.

“(ii) FOR 2012 AND SUBSEQUENT YEARS DURING SGR REFORM PERIOD.—For 2012 and any subsequent year during the SGR reform period, take the amount of allowed expenditures for such category for the preceding year (under clause (i) or this clause) and increase it by the target growth rate determined under subsection (f) for such category and year.”

(4) APPLICATION OF SEPARATE TARGET GROWTH RATES FOR EACH CATEGORY DURING SGR REFORM PERIOD.—

(A) IN GENERAL.—Subsection (f) of such section is amended by adding at the end the following new paragraph:

“(5) APPLICATION DURING SGR REFORM PERIOD OF SEPARATE TARGET GROWTH RATES FOR EACH SERVICE CATEGORY.—With re-

spect to the application of this section during the SGR reform period, the target growth rate for a year beginning with 2011 shall be computed and applied separately under this subsection for each service category (as defined in subsection (j)(5)) and shall be computed using the same method for computing the growth rate under paragraph (2) except that the factor described in paragraph (2)(C) for—

“(A) the service category described in subsection (j)(5)(A) shall be increased by 0.02; and

“(B) the service category described in subsection (j)(5)(B) shall be increased by 0.01.”.

(B) USE OF TARGET GROWTH RATES DURING SGR REFORM PERIOD.—Such section is further amended—

(i) in subsection (d)—

(I) in paragraph (1)(E)(ii), by inserting “(and the target growth rate with respect to years during the SGR reform period)” after “sustainable growth rate”; and

(II) in paragraph (4)(B)(ii)(II), by inserting “(or the target growth rate with respect to years during the SGR reform period)” after “sustainable growth rate”;

(ii) in the heading of subsection (f), by inserting “AND TARGET GROWTH RATE” after “SUSTAINABLE GROWTH RATE”; and

(iii) in subsection (f)(1)—

(I) by striking “and” at the end of subparagraph (A);

(II) in subparagraph (B), by striking the period at the end and inserting “; and”; and

(III) by adding at the end the following new subparagraph:

“(C) November 1, 2010, the target growth rate for 2011, and November 1 of each succeeding year (before the last year of the SGR reform period) the target growth rate for such succeeding year and each of the 2 preceding years.”.

(e) NO EFFECT OF SGR REFORM PERIOD ON COMPUTATION OF CONVERSION FACTOR AFTER SGR REFORM PERIOD.—Such section is further amended—

(1) in subsection (d), as amended by subsections (a) and (d)(3)(B) of this section, by adding at the end the following new paragraph:

“(14) NO EFFECT OF 2010 THROUGH 2013 CHANGES ON COMPUTATION OF CONVERSION FACTOR FOR 2014 AND SUBSEQUENT YEARS.—The conversion factor under this subsection shall be computed under paragraph (1)(A) for 2014 and subsequent years as if the amendments made by subsections (a) through (d) of section 523 of the American Jobs and Closing Tax Loopholes Act of 2010 had never applied.”; and

(2) by adding at the end of subsection (f), as amended by subsection (d)(4) of this section, the following new paragraph:

“(6) TEMPORARY ADJUSTMENT.—In determining the growth rate under paragraph (2) for 2015, the Secretary’s estimate of the percentage change otherwise determined under paragraph (2)(D) shall be reduced by 4.0 percentage points.”.

(f) APPLICATION TO SHARED SAVINGS PROGRAM DURING THE SGR REFORM PERIOD.—Subsection (f) of such section, as amended by subsections (d)(4)(A) and (e)(2) of this section, is further amended by adding at the end the following new paragraph:

“(7) APPLICATION TO SHARED SAVINGS PROGRAM DURING THE SGR REFORM PERIOD.—

“(A) IN GENERAL.—In applying this subsection and subsection (d) to services furnished in a year during the SGR reform period by an ACO professional (as defined in section 1899(h)(1) and including a physician as defined in section 1866A(a)(3)(A) for purposes of applying section 1899(k)) to individuals who are assigned to an accountable care organization under the shared savings program under section 1899 (including subsection (k) of such section), the Secretary shall develop, not later than January 1, 2012, and in accordance with this paragraph a method that—

“(i) allows each such organization to choose (for all years in the SGR reform period during its agreement period under section 1899) to have its own expenditure target and update for such professionals for such year, with respect to individuals who are assigned to that organization, that are consistent with subsection (d)(13)(A)(iii) and the methodologies described in this subsection and under such program, including—

“(I) the same scope of items and services as are included in physicians’ services under paragraph (4)(A)(ii); and

“(II) the application of the same factors under paragraph (2) to the computation of the target growth rate for such program, except that the enrollment growth factor described in paragraph (2)(B) shall be determined by the Secretary on the basis of the annual increase in individuals assigned to the organization; and

“(ii) provides that the target growth rates and conversion factors applicable to other physicians shall not apply to such professionals to the extent that the physicians’ services are furnished to individuals assigned to the organization.

“(B) APPLICATION.—In applying subparagraph (A), the Secretary may limit the application of such subparagraph based on factors such as the number of individuals assigned to the organization involved and such other factors as the Secretary determines appropriate and may apply the difference in the update under clause (i) of such subparagraph on a claim-by-claim or lump sum basis.

“(C) NO APPLICATION AFTER SGR REFORM PERIOD.—Subparagraph (A) shall not apply to years after the end of the SGR reform period.”.

**SEC. 524. ADJUSTMENT TO MEDICARE PAYMENT LOCALITIES.**

(a) IN GENERAL.—Section 1848(e) of the Social Security Act (42 U.S.C.1395w-4(e)) is amended by adding at the end the following new paragraph:

“(6) TRANSITION TO USE OF MSAS AS FEE SCHEDULE AREAS IN CALIFORNIA.—

“(A) IN GENERAL.—

“(i) REVISION.—Subject to clause (ii) and notwithstanding the previous provisions of this subsection, for services furnished on or after January 1, 2012, the Secretary shall revise the fee schedule areas used for payment under this section applicable to the State of California using the Metropolitan Statistical Area (MSA) iterative Geographic Adjustment Factor methodology as follows:

“(I) The Secretary shall configure the physician fee schedule areas using the Metropolitan Statistical Areas (each in this paragraph referred to as an ‘MSA’), as defined by the Director of the Office of Management and Budget as of the date of the enactment of this paragraph, as the basis for the fee schedule areas.

“(II) For purposes of this clause, the Secretary shall treat all areas not included in an MSA as a single rest-of-State MSA and any reference in this paragraph to an MSA shall be deemed to include a reference to such rest-of-State MSA.

“(III) The Secretary shall list all MSAs within the State by Geographic Adjustment Factor described in paragraph (2) (in this paragraph referred to as a ‘GAF’) in descending order.

“(IV) In the first iteration, the Secretary shall compare the GAF of the highest cost MSA in the State to the weighted-average GAF of all the remaining MSAs in the State. If the ratio of the GAF of the highest cost MSA to the weighted-average of the GAF of remaining lower cost MSAs is 1.05 or greater, the highest cost MSA shall be a separate fee schedule area.

“(V) In the next iteration, the Secretary shall compare the GAF of the MSA with the second-highest GAF to the weighted-average GAF of the all the remaining MSAs (excluding MSAs that become separate fee schedule areas). If the ratio of the second-highest MSA’s GAF to the weighted-average of the remaining lower cost MSAs is 1.05 or greater, the second-highest MSA shall be a separate fee schedule area.

“(VI) The iterative process shall continue until the ratio of the GAF of the MSA with highest remaining GAF to the weighted-average of the remaining MSAs with lower GAFs is less than 1.05, and the remaining group of MSAs with lower GAFs shall be treated as a single rest-of-State fee schedule area.

“(VII) For purposes of the iterative process described in this clause, if two MSAs have identical GAFs, they shall be combined.

“(ii) TRANSITION.—For services furnished on or after January 1, 2012, and before January 1, 2017, in the State of California, after calculating the work, practice expense, and malpractice geographic indices that would otherwise be determined under clauses (i), (ii), and (iii) of paragraph (1)(A) for a fee schedule area determined under clause (i), if the index for a county within a fee schedule area is less than the index that would otherwise be in effect for such county, the Secretary shall instead apply the index that would otherwise be in effect for such county.

“(B) SUBSEQUENT REVISIONS.—After the transition described in subparagraph (A)(ii), not less than every 3 years the Secretary shall review and update the fee schedule areas using the methodology described in subparagraph (A)(i) and any updated MSAs as defined by the Director of the Office of Management and Budget. The Secretary shall review and make any changes pursuant to such reviews concurrent with the application of the periodic review of the adjustment factors required under paragraph (1)(C) for California.

“(C) REFERENCES TO FEE SCHEDULE AREAS.—Effective for services furnished on or after January 1, 2012, for the State of California, any reference in this section to a fee schedule area shall be deemed a reference to a fee schedule area established in accordance with this paragraph.”.

(b) CONFORMING AMENDMENT TO DEFINITION OF FEE SCHEDULE AREA.—Section 1848(j)(2) of the Social Security Act (42 U.S.C. 1395w(j)(2)) is amended by striking “The term” and inserting “Except as provided in subsection (e)(6)(C), the term”.

**SEC. 525. CLARIFICATION OF 3-DAY PAYMENT WINDOW.**

(a) IN GENERAL.—Section 1886 of the Social Security Act (42 U.S.C. 1395ww) is amended—

(1) by adding at the end of subsection (a)(4) the following new sentence: “In applying the first sentence of this paragraph, the term ‘other services related to the admission’ includes all services that are not diagnostic services (other than ambulance and maintenance renal dialysis services) for which payment may be made under this title that are provided by a hospital (or an entity wholly owned or operated by the hospital) to a patient—

“(A) on the date of the patient’s inpatient admission; or

“(B) during the 3 days (or, in the case of a hospital that is not a subsection (d) hospital, during the 1 day) immediately preceding the date of such admission unless the hospital demonstrates (in a form and manner, and at a time, specified by the Secretary) that such services are not related (as determined by the Secretary) to such admission.”; and

(2) in subsection (d)(7)—

(A) in subparagraph (A), by striking “and” at the end;

(B) in subparagraph (B), by striking the period and inserting “, and” ; and

(C) by adding at the end the following new subparagraph:

“(C) the determination of whether services provided prior to a patient’s inpatient admission are related to the admission (as described in subsection (a)(4)).”.

(b) **EFFECTIVE DATE.**—The amendments made by subsection (a) shall apply to services furnished on or after the date of the enactment of this Act.

(c) **NO REOPENING OF PREVIOUSLY BUNDLED CLAIMS.**—

(1) **IN GENERAL.**—The Secretary of Health and Human Services may not reopen a claim, adjust a claim, or make a payment pursuant to any request for payment under title XVIII of the Social Security Act, submitted by an entity (including a hospital or an entity wholly owned or operated by the hospital) for services described in paragraph (2) for purposes of treating, as unrelated to a patient’s inpatient admission, services provided during the 3 days (or, in the case of a hospital that is not a subsection (d) hospital, during the 1 day) immediately preceding the date of the patient’s inpatient admission.

(2) **SERVICES DESCRIBED.**—For purposes of paragraph (1), the services described in this paragraph are other services related to the admission (as described in section 1886(a)(4) of the Social Security Act (42 U.S.C. 1395ww(a)(4)), as amended by subsection (a)) which were previously included on a claim or request for payment submitted under part A of title XVIII of such Act for which a reopening, adjustment, or request for payment under part B of such title, was not submitted prior to the date of the enactment of this Act.

(d) **IMPLEMENTATION.**—Notwithstanding any other provision of law, the Secretary of Health and Human Services may implement the provisions of this section (and amendments made by this section) by program instruction or otherwise.

(e) **RULE OF CONSTRUCTION.**—Nothing in the amendments made by this section shall be construed as changing the policy described in section 1886(a)(4) of the Social Security Act (42 U.S.C. 1395ww(a)(4)), as applied by the Secretary of Health and Human Services before the date of the enactment of this Act, with respect to diagnostic services.

(f) **REVISIONS TO THE MEDICARE IMPROVEMENT FUND.**—Section 1898(b)(1) of the Social Security Act (42 U.S.C. 1395iii(b)(1)) is amended by amending subparagraph (A) to read as follows:

“(A) fiscal year 2014, \$3,950,000,000;”.

## **TITLE VI—OTHER PROVISIONS**

### **SEC. 601. EXTENSION OF NATIONAL FLOOD INSURANCE PROGRAM.**

(a) **EXTENSION.**—Section 129 of the Continuing Appropriations Resolution, 2010 (Public Law 111-68), as amended by section 7(a) of Public Law 111-157, is amended by striking “by substituting” and all that follows through the period at the end, and inserting “by substituting December 31, 2010, for the date specified in each such section.”.

(b) **EFFECTIVE DATE.**—The amendments made by subsection (a) shall be considered to have taken effect on May 31, 2010.

**SEC. 602. ALLOCATION OF GEOTHERMAL RECEIPTS.**

Notwithstanding any other provision of law, for fiscal year 2010 only, all funds received from sales, bonuses, royalties, and rentals under the Geothermal Steam Act of 1970 (30 U.S.C. 1001 et seq.) shall be deposited in the Treasury, of which—

- (1) 50 percent shall be used by the Secretary of the Treasury to make payments to States within the boundaries of which the leased land and geothermal resources are located;
- (2) 25 percent shall be used by the Secretary of the Treasury to make payments to the counties within the boundaries of which the leased land or geothermal resources are located; and
- (3) 25 percent shall be deposited in miscellaneous receipts.

**SEC. 603. SMALL BUSINESS LOAN GUARANTEE ENHANCEMENT EXTENSIONS.**

(a) APPROPRIATION.—There is appropriated, out of any funds in the Treasury not otherwise appropriated, for an additional amount for “Small Business Administration—Business Loans Program Account”, \$505,000,000, to remain available through December 31, 2010, for the cost of—

- (1) fee reductions and eliminations under section 501 of division A of the American Recovery and Reinvestment Act of 2009 (Public Law 111–5; 123 Stat. 151), as amended by this section; and
- (2) loan guarantees under section 502 of division A of the American Recovery and Reinvestment Act of 2009 (Public Law 111–5; 123 Stat. 152), as amended by this section.

Such costs, including the cost of modifying such loans, shall be as defined in section 502 of the Congressional Budget Act of 1974.

(b) EXTENSION OF PROGRAMS.—

- (1) FEES.—Section 501 of division A of the American Recovery and Reinvestment Act of 2009 (Public Law 111–5; 123 Stat. 151) is amended by striking “September 30, 2010” each place it appears and inserting “December 31, 2010”.
- (2) LOAN GUARANTEES.—Section 502(f) of division A of the American Recovery and Reinvestment Act of 2009 (Public Law 111–5; 123 Stat. 153) is amended by striking “May 31, 2010” and inserting “December 31, 2010”.

(c) APPROPRIATION.—There is appropriated for an additional amount, out of any funds in the Treasury not otherwise appropriated, for administrative expenses to carry out sections 501 and 502 of division A of the American Recovery and Reinvestment Act of 2009 (Public Law 111–5), \$5,000,000, to remain available until expended, which may be transferred and merged with the appropriation for “Small Business Administration—Salaries and Expenses”.

**SEC. 604. EMERGENCY AGRICULTURAL DISASTER ASSISTANCE.**

(a) DEFINITIONS.—Except as otherwise provided in this section, in this section:

(1) DISASTER COUNTY.—

(A) IN GENERAL.—The term “disaster county” means a county included in the geographic area covered by a qualifying natural disaster declaration for the 2009 crop year.

(B) EXCLUSION.—The term “disaster county” does not include a contiguous county.

(2) **ELIGIBLE AQUACULTURE PRODUCER.**—The term “eligible aquaculture producer” means an aquaculture producer that during the 2009 calendar year, as determined by the Secretary—

(A) produced an aquaculture species for which feed costs represented a substantial percentage of the input costs of the aquaculture operation; and

(B) experienced a substantial price increase of feed costs above the previous 5-year average.

(3) **ELIGIBLE PRODUCER.**—The term “eligible producer” means an agricultural producer in a disaster county.

(4) **ELIGIBLE SPECIALTY CROP PRODUCER.**—The term “eligible specialty crop producer” means an agricultural producer that, for the 2009 crop year, as determined by the Secretary—

(A) produced, or was prevented from planting, a specialty crop; and

(B) experienced specialty crop losses in a disaster county due to drought, excessive rainfall, or a related condition.

(5) **QUALIFYING NATURAL DISASTER DECLARATION.**—The term “qualifying natural disaster declaration” means a natural disaster declared by the Secretary for production losses under section 321(a) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1961(a)).

(6) **SECRETARY.**—The term “Secretary” means the Secretary of Agriculture.

(7) **SPECIALTY CROP.**—The term “specialty crop” has the meaning given the term in section 3 of the Specialty Crops Competitiveness Act of 2004 (Public Law 108–465; 7 U.S.C. 1621 note).

(b) **SUPPLEMENTAL DIRECT PAYMENT.**—

(1) **IN GENERAL.**—Of the funds of the Commodity Credit Corporation, the Secretary shall use such sums as are necessary to make supplemental payments under sections 1103 and 1303 of the Food, Conservation, and Energy Act of 2008 (7 U.S.C. 8713, 8753) to eligible producers on farms located in disaster counties that had at least 1 crop of economic significance (other than specialty crops or crops intended for grazing) suffer at least a 5-percent crop loss on a farm due to a natural disaster, including quality losses, as determined by the Secretary, in an amount equal to 90 percent of the direct payment the eligible producers received for the 2009 crop year on the farm.

(2) **ACRE PROGRAM.**—Eligible producers that received direct payments under section 1105 of the Food, Conservation, and Energy Act of 2008 (7 U.S.C. 8715) for the 2009 crop year and that otherwise meet the requirements of paragraph (1) shall be eligible to receive supplemental payments under that paragraph in an amount equal to 112.5 percent of the reduced direct payment the eligible producers received for the 2009 crop year under section 1103 or 1303 of the Food, Conservation, and Energy Act of 2008 (7 U.S.C. 8713, 8753).

(3) **RELATIONSHIP TO OTHER LAW.**—Assistance received under this subsection shall be included in the calculation of farm revenue for the 2009 crop year under section 531(b)(4)(A) of the Federal Crop Insurance Act (7 U.S.C. 1531(b)(4)(A)) and sec-

tion 901(b)(4)(A) of the Trade Act of 1974 (19 U.S.C. 2497(b)(4)(A)).

(c) SPECIALTY CROP ASSISTANCE.—

(1) IN GENERAL.—Of the funds of the Commodity Credit Corporation, the Secretary shall use not more than \$300,000,000, to remain available until September 30, 2011, to carry out a program of grants to States to assist eligible specialty crop producers for losses due to a natural disaster affecting the 2009 crops, of which not more than—

(A) \$150,000,000 shall be used to assist eligible specialty crop producers in counties that have been declared a disaster as the result of drought; and

(B) \$150,000,000 shall be used to assist eligible specialty crop producers in counties that have been declared a disaster as the result of excessive rainfall or a related condition.

(2) NOTIFICATION.—Not later than 45 days after the date of enactment of this Act, the Secretary shall notify the State department of agriculture (or similar entity) in each State of the availability of funds to assist eligible specialty crop producers, including such terms as are determined by the Secretary to be necessary for the equitable treatment of eligible specialty crop producers.

(3) PROVISION OF GRANTS.—

(A) IN GENERAL.—The Secretary shall make grants to States for disaster counties on a pro rata basis based on the value of specialty crop losses in those counties during the 2009 calendar year, as determined by the Secretary.

(B) TIMING.—Not later than 90 days after the date of enactment of this Act, the Secretary shall make grants to States to provide assistance under this subsection.

(C) MAXIMUM GRANT.—The maximum amount of a grant made to a State for counties described in paragraph (1)(B) may not exceed \$40,000,000.

(4) REQUIREMENTS.—The Secretary shall make grants under this subsection only to States that demonstrate to the satisfaction of the Secretary that the State will—

(A) use grant funds to issue payments to eligible specialty crop producers;

(B) provide assistance to eligible specialty crop producers not later than 60 days after the date on which the State receives grant funds; and

(C) not later than 30 days after the date on which the State provides assistance to eligible specialty crop producers, submit to the Secretary a report that describes—

(i) the manner in which the State provided assistance;

(ii) the amounts of assistance provided by type of specialty crop; and

(iii) the process by which the State determined the levels of assistance to eligible specialty crop producers.

(D) RELATION TO OTHER LAW.—Assistance received under this subsection shall be included in the calculation of farm revenue for the 2009 crop year under section 531(b)(4)(A) of the Federal Crop Insurance Act (7 U.S.C. 1531(b)(4)(A))

and section 901(b)(4)(A) of the Trade Act of 1974 (19 U.S.C. 2497(b)(4)(A)).

(d) COTTONSEED ASSISTANCE.—

(1) IN GENERAL.—Of the funds of the Commodity Credit Corporation, the Secretary shall use not more than \$42,000,000 to provide supplemental assistance to eligible producers and first-handlers of the 2009 crop of cottonseed in a disaster county.

(2) GENERAL TERMS.—Except as otherwise provided in this subsection, the Secretary shall provide disaster assistance under this subsection under the same terms and conditions as assistance provided under section 3015 of the Emergency Agricultural Disaster Assistance Act of 2006 (title III of Public Law 109–234; 120 Stat. 477).

(3) DISTRIBUTION OF ASSISTANCE.—The Secretary shall distribute assistance to first handlers for the benefit of eligible producers in a disaster county in an amount equal to the product obtained by multiplying—

(A) the payment rate, as determined under paragraph (4); and

(B) the county-eligible production, as determined under paragraph (5).

(4) PAYMENT RATE.—The payment rate shall be equal to the quotient obtained by dividing—

(A) the total funds made available to carry out this subsection; by

(B) the sum of the county-eligible production, as determined under paragraph (5).

(5) COUNTY-ELIGIBLE PRODUCTION.—The county-eligible production shall be equal to the product obtained by multiplying—

(A) the number of acres planted to cotton in the disaster county, as reported to the Secretary by first handlers;

(B) the expected cotton lint yield for the disaster county, as determined by the Secretary based on the best available information; and

(C) the national average seed-to-lint ratio, as determined by the Secretary based on the best available information for the 5 crop years immediately preceding the 2009 crop, excluding the year in which the average ratio was the highest and the year in which the average ratio was the lowest in such period.

(e) AQUACULTURE ASSISTANCE.—

(1) IN GENERAL.—Of the funds of the Commodity Credit Corporation, the Secretary shall use not more than \$25,000,000, to remain available until September 30, 2011, to carry out a program of grants to States to assist eligible aquaculture producers for losses associated with high feed input costs during the 2009 calendar year.

(2) NOTIFICATION.—Not later than 45 days after the date of enactment of this Act, the Secretary shall notify the State department of agriculture (or similar entity) in each State of the availability of funds to assist eligible aquaculture producers, including such terms as are determined by the Secretary to be necessary for the equitable treatment of eligible aquaculture producers.

(3) PROVISION OF GRANTS.—

(A) IN GENERAL.—The Secretary shall make grants to States under this subsection on a pro rata basis based on the amount of aquaculture feed used in each State during the 2009 calendar year, as determined by the Secretary.

(B) TIMING.—Not later than 90 days after the date of enactment of this Act, the Secretary shall make grants to States to provide assistance under this subsection.

(4) REQUIREMENTS.—The Secretary shall make grants under this subsection only to States that demonstrate to the satisfaction of the Secretary that the State will—

(A) use grant funds to assist eligible aquaculture producers;

(B) provide assistance to eligible aquaculture producers not later than 60 days after the date on which the State receives grant funds; and

(C) not later than 30 days after the date on which the State provides assistance to eligible aquaculture producers, submit to the Secretary a report that describes—

(i) the manner in which the State provided assistance;

(ii) the amounts of assistance provided per species of aquaculture; and

(iii) the process by which the State determined the levels of assistance to eligible aquaculture producers.

(5) REDUCTION IN PAYMENTS.—An eligible aquaculture producer that receives assistance under this subsection shall not be eligible to receive any other assistance under the supplemental agricultural disaster assistance program established under section 531 of the Federal Crop Insurance Act (7 U.S.C. 1531) and section 901 of the Trade Act of 1974 (19 U.S.C. 2497) for any losses in 2009 relating to the same species of aquaculture.

(6) REPORT TO CONGRESS.—Not later than 240 days after the date of enactment of this Act, the Secretary shall submit to the appropriate committees of Congress a report that—

(A) describes in detail the manner in which this subsection has been carried out; and

(B) includes the information reported to the Secretary under paragraph (4)(C).

(f) HAWAII TRANSPORTATION COOPERATIVE.—Notwithstanding any other provision of law, the Secretary shall use \$21,000,000 of funds of the Commodity Credit Corporation to make a payment to an agricultural transportation cooperative in the State of Hawaii, the members of which are eligible to participate in the commodity loan program of the Farm Service Agency, for assistance to maintain and develop employment.

(g) LIVESTOCK FORAGE DISASTER PROGRAM.—

(1) DEFINITION OF DISASTER COUNTY.—In this subsection:

(A) IN GENERAL.—The term “disaster county” means a county included in the geographic area covered by a qualifying natural disaster declaration announced by the Secretary in calendar year 2009.

(B) INCLUSION.—The term “disaster county” includes a contiguous county.

(2) PAYMENTS.—Of the funds of the Commodity Credit Corporation, the Secretary shall use not more than \$50,000,000 to carry out a program to make payments to eligible producers that had grazing losses in disaster counties in calendar year 2009.

(3) CRITERIA.—

(A) IN GENERAL.—Except as provided in subparagraph (B), assistance under this subsection shall be determined under the same criteria as are used to carry out the programs under section 531(d) of the Federal Crop Insurance Act (7 U.S.C. 1531(d)) and section 901(d) of the Trade Act of 1974 (19 U.S.C. 2497(d)).

(B) DROUGHT INTENSITY.—For purposes of this subsection, an eligible producer shall not be required to meet the drought intensity requirements of section 531(d)(3)(D)(ii) of the Federal Crop Insurance Act (7 U.S.C. 1531(d)(3)(D)(ii)) and section 901(d)(3)(D)(ii) of the Trade Act of 1974 (19 U.S.C. 2497(d)(3)(D)(ii)).

(4) AMOUNT.—Assistance under this subsection shall be in an amount equal to 1 monthly payment using the monthly payment rate under section 531(d)(3)(B) of the Federal Crop Insurance Act (7 U.S.C. 1531(d)(3)(B)) and section 901(d)(3)(B) of the Trade Act of 1974 (19 U.S.C. 2497(d)(3)(B)).

(5) RELATION TO OTHER LAW.—An eligible producer that receives assistance under this subsection shall be ineligible to receive assistance for 2009 grazing losses under the program carried out under section 531(d) of the Federal Crop Insurance Act (7 U.S.C. 1531(d)) and section 901(d) of the Trade Act of 1974 (19 U.S.C. 2497(d)).

(h) EMERGENCY LOANS FOR POULTRY PRODUCERS.—

(1) DEFINITIONS.—In this subsection:

(A) ANNOUNCEMENT DATE.—The term “announcement date” means the date on which the Secretary announces the emergency loan program under this subsection.

(B) POULTRY INTEGRATOR.—The term “poultry integrator” means a poultry integrator that filed proceedings under chapter 11 of title 11, United States Code, in United States Bankruptcy Court during the 30-day period beginning on December 1, 2008.

(2) LOAN PROGRAM.—

(A) IN GENERAL.—Of the funds of the Commodity Credit Corporation, the Secretary shall use not more than \$75,000,000, to remain available until expended, for the cost of making no-interest emergency loans available to poultry producers that meet the requirements of this subsection.

(B) TERMS AND CONDITIONS.—Except as otherwise provided in this subsection, emergency loans under this subsection shall be subject to such terms and conditions as are determined by the Secretary.

(3) LOANS.—

(A) IN GENERAL.—An emergency loan made to a poultry producer under this subsection shall be for the purpose of providing financing to the poultry producer in response to financial losses associated with the termination or non-

renewal of any contract between the poultry producer and a poultry integrator.

(B) ELIGIBILITY.—

(i) IN GENERAL.—To be eligible for an emergency loan under this subsection, not later than 90 days after the announcement date, a poultry producer shall submit to the Secretary evidence that—

(I) the contract of the poultry producer described in subparagraph (A) was not continued; and

(II) no similar contract has been awarded subsequently to the poultry producer.

(ii) REQUIREMENT TO OFFER LOANS.—Notwithstanding any other provision of law, if a poultry producer meets the eligibility requirements described in clause (i), subject to the availability of funds under paragraph (2)(A), the Secretary shall offer to make a loan under this subsection to the poultry producer with a minimum term of 2 years.

(4) ADDITIONAL REQUIREMENTS.—

(A) IN GENERAL.—A poultry producer that receives an emergency loan under this subsection may use the emergency loan proceeds only to repay the amount that the poultry producer owes to any lender for the purchase, improvement, or operation of the poultry farm.

(B) CONVERSION OF THE LOAN.—A poultry producer that receives an emergency loan under this subsection shall be eligible to have the balance of the emergency loan converted, but not refinanced, to a loan that has the same terms and conditions as an operating loan under subtitle B of the Consolidated Farm and Rural Development Act (7 U.S.C. 1941 et seq.).

(i) STATE AND LOCAL GOVERNMENTS.—Section 1001(f)(6)(A) of the Food Security Act of 1985 (7 U.S.C. 1308(f)(6)(A)) is amended by inserting “(other than the conservation reserve program established under subchapter B of chapter 1 of subtitle D of title XII of this Act)” before the period at the end.

(j) ADMINISTRATION.—

(1) REGULATIONS.—

(A) IN GENERAL.—As soon as practicable after the date of enactment of this Act, the Secretary shall promulgate such regulations as are necessary to implement this section and the amendment made by this section.

(B) PROCEDURE.—The promulgation of the regulations and administration of this section and the amendment made by this section shall be made without regard to—

(i) the notice and comment provisions of section 553 of title 5, United States Code;

(ii) the Statement of Policy of the Secretary of Agriculture effective July 24, 1971 (36 Fed. Reg. 13804), relating to notices of proposed rulemaking and public participation in rulemaking; and

(iii) chapter 35 of title 44, United States Code (commonly known as the “Paperwork Reduction Act”).

(C) CONGRESSIONAL REVIEW OF AGENCY RULEMAKING.—In carrying out this paragraph, the Secretary shall use the authority provided under section 808 of title 5, United States Code.

(2) ADMINISTRATIVE COSTS.—Of the funds of the Commodity Credit Corporation, the Secretary may use up to \$10,000,000 to pay administrative costs incurred by the Secretary that are directly related to carrying out this Act.

(3) PROHIBITION.—None of the funds of the Agricultural Disaster Relief Trust Fund established under section 902 of the Trade Act of 1974 (19 U.S.C. 2497a) may be used to carry out this Act.

**SEC. 605. SUMMER EMPLOYMENT FOR YOUTH.**

There is appropriated, out of any funds in the Treasury not otherwise appropriated, for an additional amount for “Department of Labor—Employment and Training Administration—Training and Employment Services” for activities under the Workforce Investment Act of 1998 (“WIA”), \$1,000,000,000 shall be available for obligation on the date of enactment of this Act for grants to States for youth activities, including summer employment for youth: *Provided*, That no portion of such funds shall be reserved to carry out section 127(b)(1)(A) of the WIA: *Provided further*, That for purposes of section 127(b)(1)(C)(iv) of the WIA, funds available for youth activities shall be allotted as if the total amount available for youth activities in the fiscal year does not exceed \$1,000,000,000: *Provided further*, That with respect to the youth activities provided with such funds, section 101(13)(A) of the WIA shall be applied by substituting “age 24” for “age 21”: *Provided further*, That the work readiness performance indicator described in section 136(b)(2)(A)(ii)(I) of the WIA shall be the only measure of performance used to assess the effectiveness of summer employment for youth provided with such funds: *Provided further*, That an amount that is not more than 1 percent of such amount may be used for the administration, management, and oversight of the programs, activities, and grants carried out with such funds, including the evaluation of the use of such funds: *Provided further*, That funds available under the preceding proviso, together with funds described in section 801(a) of division A of the American Recovery and reinvestment Act of 2009 (Public Law 111–5), and funds provided in such Act under the heading “Department of Labor—Departmental Management—Salaries and Expenses”, shall remain available for obligation through September 30, 2011.

**SEC. 606. HOUSING TRUST FUND.**

(a) FUNDING.—There is hereby appropriated for the Housing Trust Fund established pursuant to section 1338 of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (12 U.S.C. 4568), \$1,065,000,000, for use under such section: *Provided*, That of the total amount provided under this heading, \$65,000,000 shall be available to the Secretary of Housing and Urban Development only for incremental project-based voucher assistance to be allocated to States to be used solely in conjunction with grant funds awarded under such section 1338, pursuant to the formula established under section 1338 and taking into account dif-

ferent per unit subsidy needs among states, as determined by the Secretary.

(b) AMENDMENTS.—Section 1338 of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (12 U.S.C. 4568) is amended—

(1) in subsection (c)—

(A) in paragraph (4)(A) by inserting after the period at the end the following: “Notwithstanding any other provision of law, for the fiscal year following enactment of this sentence and thereafter, the Secretary may make such notice available only on the Internet at the appropriate government website or websites or through other electronic media, as determined by the Secretary.”;

(B) in paragraph (5)(C), by striking “(8)” and inserting “(9)”; and

(C) in paragraph (7)(A)—

(i) by striking “section 1335(a)(2)(B)” and inserting “section 1335(a)(1)(B)”; and

(ii) by inserting “the units funded under” after “75 percent of”; and

(2) by adding at the end the following new subsection:

“(k) ENVIRONMENTAL REVIEW.—For the purpose of environmental compliance review, funds awarded under this section shall be subject to section 288 of the HOME Investment Partnerships Act (12 U.S.C. 12838) and shall be treated as funds under the program established by such Act.”.

**SEC. 607. THE INDIVIDUAL INDIAN MONEY ACCOUNT LITIGATION SETTLEMENT ACT OF 2010.**

(a) SHORT TITLE.—This section may be cited as the “Individual Indian Money Account Litigation Settlement Act of 2010”.

(b) DEFINITIONS.—In this section:

(1) AMENDED COMPLAINT.—The term “Amended Complaint” means the Amended Complaint attached to the Settlement.

(2) LAND CONSOLIDATION PROGRAM.—The term “Land Consolidation Program” means a program conducted in accordance with the Settlement and the Indian Land Consolidation Act (25 U.S.C. 2201 et seq.) under which the Secretary may purchase fractional interests in trust or restricted land.

(3) LITIGATION.—The term “Litigation” means the case entitled *Elouise Cobell et al. v. Ken Salazar et al.*, United States District Court, District of Columbia, Civil Action No. 96-1285 (JR).

(4) PLAINTIFF.—The term “Plaintiff” means a member of any class certified in the Litigation.

(5) SECRETARY.—The term “Secretary” means the Secretary of the Interior.

(6) SETTLEMENT.—The term “Settlement” means the Class Action Settlement Agreement dated December 7, 2009, in the Litigation, as modified by the parties to the Litigation.

(7) TRUST ADMINISTRATION CLASS.—The term “Trust Administration Class” means the Trust Administration Class as defined in the Settlement.

(c) PURPOSE.—The purpose of this section is to authorize the Settlement.

(d) AUTHORIZATION.—The Settlement is authorized, ratified, and confirmed.

(e) JURISDICTIONAL PROVISIONS.—

(1) IN GENERAL.—Notwithstanding the limitation of jurisdiction of district courts contained in section 1346(a)(2) of title 28, United States Code, the United States District Court for the District of Columbia shall have jurisdiction over the claims asserted in the Amended Complaint for purposes of the Settlement.

(2) CERTIFICATION OF TRUST ADMINISTRATION CLASS.—

(A) IN GENERAL.—Notwithstanding the requirements of the Federal Rules of Civil Procedure, the court overseeing the Litigation may certify the Trust Administration Class.

(B) TREATMENT.—On certification under subparagraph (A), the Trust Administration Class shall be treated as a class under Federal Rule of Civil Procedure 23(b)(3) for purposes of the Settlement.

(f) TRUST LAND CONSOLIDATION.—

(1) TRUST LAND CONSOLIDATION FUND.—

(A) ESTABLISHMENT.—On final approval (as defined in the Settlement) of the Settlement, there shall be established in the Treasury of the United States a fund, to be known as the “Trust Land Consolidation Fund”.

(B) AVAILABILITY OF AMOUNTS.—Amounts in the Trust Land Consolidation Fund shall be made available to the Secretary during the 10-year period beginning on the date of final approval of the Settlement—

- (i) to conduct the Land Consolidation Program; and
- (ii) for other costs specified in the Settlement.

(C) DEPOSITS.—

(i) IN GENERAL.—On final approval (as defined in the Settlement) of the Settlement, the Secretary of the Treasury shall deposit in the Trust Land Consolidation Fund \$2,000,000,000 of the amounts appropriated by section 1304 of title 31, United States Code.

(ii) CONDITIONS MET.—The conditions described in section 1304 of title 31, United States Code, shall be considered to be met for purposes of clause (i).

(D) TRANSFERS.—In a manner designed to encourage participation in the Land Consolidation Program, the Secretary may transfer, at the discretion of the Secretary, not more than \$60,000,000 of amounts in the Trust Land Consolidation Fund to the Indian Education Scholarship Holding Fund established under paragraph 2.

(2) INDIAN EDUCATION SCHOLARSHIP HOLDING FUND.—

(A) ESTABLISHMENT.—On the final approval (as defined in the Settlement) of the Settlement, there shall be established in the Treasury of the United States a fund, to be known as the “Indian Education Scholarship Holding Fund”.

(B) AVAILABILITY.—Notwithstanding any other provision of law governing competition, public notification, or Federal procurement or assistance, amounts in the Indian Education Scholarship Holding Fund shall be made available, without further appropriation, to the Secretary to

contribute to an Indian Education Scholarship Fund, as described in the Settlement, to provide scholarships for Native Americans.

(3) ACQUISITION OF TRUST OR RESTRICTED LAND.—The Secretary may acquire, at the discretion of the Secretary and in accordance with the Land Consolidation Program, any fractional interest in trust or restricted land.

(4) TREATMENT OF UNLOCATABLE PLAINTIFFS.—A Plaintiff the whereabouts of whom are unknown and who, after reasonable efforts by the Secretary, cannot be located during the 5 year period beginning on the date of final approval (as defined in the Settlement) of the Settlement shall be considered to have accepted an offer made pursuant to the Land Consolidation Program.

(g) TAXATION AND OTHER BENEFITS.—

(1) INTERNAL REVENUE CODE.—For purposes of the Internal Revenue Code of 1986, amounts received by an individual Indian as a lump sum or a periodic payment pursuant to the Settlement—

(A) shall not be included in gross income; and

(B) shall not be taken into consideration for purposes of applying any provision of the Internal Revenue Code of 1986 that takes into account excludible income in computing adjusted gross income or modified adjusted gross income, including section 86 of that Code (relating to Social Security and tier 1 railroad retirement benefits).

(2) OTHER BENEFITS.—Notwithstanding any other provision of law, for purposes of determining initial eligibility, ongoing eligibility, or level of benefits under any Federal or federally assisted program, amounts received by an individual Indian as a lump sum or a periodic payment pursuant to the Settlement shall not be treated for any household member, during the 1-year period beginning on the date of receipt—

(A) as income for the month during which the amounts were received; or

(B) as a resource.

**SEC. 608. APPROPRIATION OF FUNDS FOR FINAL SETTLEMENT OF CLAIMS FROM IN RE BLACK FARMERS DISCRIMINATION LITIGATION.**

(a) DEFINITIONS.—In this section:

(1) SETTLEMENT AGREEMENT.—The term “Settlement Agreement” means the settlement agreement dated February 18, 2010, between certain plaintiffs, by and through their counsel, and the Secretary of Agriculture to resolve, fully and forever, the claims raised or that could have been raised in the cases consolidated in *In re Black Farmers Discrimination Litigation*, No. 08–511 (D.D.C.), including Pigford claims asserted under section 14012 of the Food, Conservation, and Energy Act of 2008 (Public Law 110–246; 122 Stat. 2209).

(2) PIGFORD CLAIM.—The term “Pigford claim” has the meaning given that term in section 14012(a)(3) of the Food, Conservation, and Energy Act of 2008 (Public Law 110–246; 122 Stat. 2210).

(b) APPROPRIATION OF FUNDS.—There is hereby appropriated to the Secretary of Agriculture \$1,150,000,000, to remain available

until expended, to carry out the terms of the Settlement Agreement if the Settlement Agreement is approved by a court order that is or becomes final and nonappealable. The funds appropriated by this subsection are in addition to the \$100,000,000 of funds of the Commodity Credit Corporation made available by section 14012(i) of the Food, Conservation, and Energy Act of 2008 (Public Law 110–246; 122 Stat. 2212) and shall be available for obligation only after those Commodity Credit Corporation funds are fully obligated. If the Settlement Agreement is not approved as provided in this subsection, the \$100,000,000 of funds of the Commodity Credit Corporation made available by section 14012(i) of the Food, Conservation, and Energy Act of 2008 shall be the sole funding available for Pigford claims.

(c) USE OF FUNDS.—The use of the funds appropriated by subsection (b) shall be subject to the express terms of the Settlement Agreement.

(d) TREATMENT OF REMAINING FUNDS.—If any of the funds appropriated by subsection (b) are not obligated and expended to carry out the Settlement Agreement, the Secretary of Agriculture shall return the unused funds to the Treasury and may not make the unused funds available for any purpose related to section 14012 of the Food, Conservation, and Energy Act of 2008, for any other settlement agreement executed in *In re Black Farmers Discrimination Litigation*, No. 08–511 (D.D.C.), or for any other purpose.

(e) RULES OF CONSTRUCTION.—Nothing in this section shall be construed as requiring the United States, any of its officers or agencies, or any other party to enter into the Settlement Agreement or any other settlement agreement. Nothing in this section shall be construed as creating the basis for a Pigford claim.

(f) CONFORMING AMENDMENTS.—Section 14012 of the Food, Conservation, and Energy Act of 2008 (Public Law 110–246; 122 Stat. 2209) is amended—

(1) in subsection (c)(1)—

(A) by striking “subsection (h)” and inserting “subsection (g)”; and

(B) by striking “subsection (i)” and inserting “subsection (h)”;

(2) by striking subsection (e);

(3) in subsection (g), by striking “subsection (f)” and inserting “subsection (e)”;

(4) in subsection (i)—

(A) by striking “(1) IN GENERAL.—Of the funds” and inserting “Of the funds”; and

(B) by striking paragraph (2);

(5) by striking subsection (j); and

(6) by redesignating subsections (f), (g), (h), (i), and (k) as subsections (e), (f), (g), (h), and (i), respectively.

**SEC. 609. EXPANSION OF ELIGIBILITY FOR CONCURRENT RECEIPT OF MILITARY RETIRED PAY AND VETERANS’ DISABILITY COMPENSATION TO INCLUDE ALL CHAPTER 61 DISABILITY RETIREES REGARDLESS OF DISABILITY RATING PERCENTAGE OR YEARS OF SERVICE.**

(a) PHASED EXPANSION CONCURRENT RECEIPT.—Subsection (a) of section 1414 of title 10, United States Code, is amended to read as follows:

“(a) PAYMENT OF BOTH RETIRED PAY AND DISABILITY COMPENSATION.—

“(1) PAYMENT OF BOTH REQUIRED.—

“(A) IN GENERAL.—Subject to subsection (b), a member or former member of the uniformed services who is entitled for any month to retired pay and who is also entitled for that month to veterans’ disability compensation for a qualifying service-connected disability (in this section referred to as a ‘qualified retiree’) is entitled to be paid both for that month without regard to sections 5304 and 5305 of title 38.

“(B) APPLICABILITY OF FULL CONCURRENT RECEIPT PHASE-IN REQUIREMENT.—During the period beginning on January 1, 2004, and ending on December 31, 2013, payment of retired pay to a qualified retiree is subject to subsection (c).

“(C) PHASE-IN EXCEPTION FOR 100 PERCENT DISABLED RETIREES.—The payment of retired pay is subject to subsection (c) only during the period beginning on January 1, 2004, and ending on December 31, 2004, in the case of the following qualified retirees:

“(i) A qualified retiree receiving veterans’ disability compensation for a disability rated as 100 percent.

“(ii) A qualified retiree receiving veterans’ disability compensation at the rate payable for a 100 percent disability by reason of a determination of individual unemployability.

“(D) TEMPORARY PHASE-IN EXCEPTION FOR CERTAIN CHAPTER 61 DISABILITY RETIREES; TERMINATION.—Subject to subsection (b), during the period beginning on January 1, 2011, and ending on September 30, 2012, subsection (c) shall not apply to a qualified retiree described in subparagraph (B) or (C) of paragraph (2).

“(2) QUALIFYING SERVICE-CONNECTED DISABILITY DEFINED.—  
In this section:

“(A) 50 PERCENT RATING THRESHOLD.—In the case of a member or former member receiving retired pay under any provision of law other than chapter 61 of this title, or under chapter 61 with 20 years or more of service otherwise creditable under section 1405 or computed under section 12732 of this title, the term ‘qualifying service-connected disability’ means a service-connected disability or combination of service-connected disabilities that is rated as not less than 50 percent disabling by the Secretary of Veterans Affairs. However, during the period specified in paragraph (1)(D), members or former members receiving retired pay under chapter 61 with 20 years or more of creditable service computed under section 12732 of this title, but not otherwise entitled to retired pay under any other provision of this title, shall qualify in accordance with subparagraphs (B) and (C).

“(B) INCLUSION OF MEMBERS NOT OTHERWISE ENTITLED TO RETIRED PAY.—In the case of a member or former member receiving retired pay under chapter 61 of this title, but who is not otherwise entitled to retired pay under any

other provision of this title, the term ‘qualifying service-connected disability’ means a service-connected disability or combination of service-connected disabilities that is rated by the Secretary of Veterans Affairs at the disabling level specified in one of the following clauses (which, subject to paragraph (3), is effective on or after the date specified in the applicable clause):

“(i) January 1, 2011, rated 100 percent, or a rate payable at 100 percent by reason of individual unemployability or rated 90 percent.

“(ii) January 1, 2012, rated 80 percent or 70 percent.

“(iii) January 1, 2013, rated 60 percent or 50 percent.

“(C) ELIMINATION OF RATING THRESHOLD.—In the case of a member or former member receiving retired pay under chapter 61 regardless of being otherwise eligible for retirement, the term ‘qualifying service-connected disability’ means a service-connected disability or combination of service-connected disabilities that is rated by the Secretary of Veterans Affairs at the disabling level specified in one of the following clauses (which, subject to paragraph (3), is effective on or after the date specified in the applicable clause):

“(i) January 1, 2014, rated 40 percent or 30 percent.

“(ii) January 1, 2015, any rating.

“(3) LIMITED DURATION.—Notwithstanding the effective date specified in each clause of subparagraphs (B) and (C) of paragraph (2), the clause—

“(A) shall apply only if the termination date specified in paragraph (1)(D) would occur during or after the calendar year specified in the clause; and

“(B) shall not apply beyond the termination date specified in paragraph (1)(D).”.

(b) CONFORMING AMENDMENT TO SPECIAL RULES FOR CHAPTER 61 DISABILITY RETIREES.—Subsection (b) of such section is amended to read as follows:

“(b) SPECIAL RULES FOR CHAPTER 61 DISABILITY RETIREES WHEN ELIGIBILITY HAS BEEN ESTABLISHED FOR SUCH RETIREES.—

“(1) GENERAL REDUCTION RULE.—The retired pay of a member retired under chapter 61 of this title is subject to reduction under sections 5304 and 5305 of title 38, but only to the extent that the amount of the members retired pay under chapter 61 of this title exceeds the amount of retired pay to which the member would have been entitled under any other provision of law based upon the member’s service in the uniformed services if the member had not been retired under chapter 61 of this title.

“(2) CHAPTER 61 RETIREES NOT OTHERWISE ENTITLED TO RETIRED PAY.—

“(A) BEFORE TERMINATION DATE.—If a member with a qualifying service-connected disability (as defined in subsection (a)(2)) is retired under chapter 61 of this title, but is not otherwise entitled to retired pay under any other provision of this title, and the termination date specified in subsection (a)(1)(D) has not occurred, the retired pay of

the member is subject to reduction under sections 5304 and 5305 of title 38, but only to the extent that the amount of the member's retired pay under chapter 61 of this title exceeds the amount equal to 2½ percent of the member's years of creditable service multiplied by the member's retired pay base under section 1406(b)(1) or 1407 of this title, whichever is applicable to the member.

“(B) AFTER TERMINATION DATE.—Subsection (a) does not apply to a member described in subparagraph (A) if the termination date specified in subsection (a)(1)(D) has occurred.”

(c) CONFORMING AMENDMENT TO FULL CONCURRENT RECEIPT PHASE-IN.—Subsection (c) of such section is amended by striking “the second sentence of”.

(d) CLERICAL AMENDMENTS.—

(1) SECTION HEADING.—The heading of such section is amended to read as follows:

**“§ 1414. Concurrent receipt of retired pay and veterans' disability compensation”.**

(2) TABLE OF SECTIONS.—The table of sections at the beginning of chapter 71 of such title is amended by striking the item related to section 1414 and inserting the following new item: “1414. Concurrent receipt of retired pay and veterans' disability compensation.”

(e) EFFECTIVE DATE.—The amendments made by this section shall take effect on January 1, 2011.

**SEC. 610. EXTENSION OF USE OF 2009 POVERTY GUIDELINES.**

Section 1012 of the Department of Defense Appropriations Act, 2010 (Public Law 111–118), as amended by section 6 of the Continuing Extension Act of 2010 (Public Law 111–157), is amended—

(1) by striking “before May 31, 2010”; and

(2) by inserting “for 2011” after “until updated poverty guidelines”.

**SEC. 611. REFUNDS DISREGARDED IN THE ADMINISTRATION OF FEDERAL PROGRAMS AND FEDERALLY ASSISTED PROGRAMS.**

(a) IN GENERAL.—Subchapter A of chapter 65 of the Internal Revenue Code of 1986 is amended by adding at the end the following new section:

**“SEC. 6409. REFUNDS DISREGARDED IN THE ADMINISTRATION OF FEDERAL PROGRAMS AND FEDERALLY ASSISTED PROGRAMS.**

“(a) IN GENERAL.—Notwithstanding any other provision of law, any refund (or advance payment with respect to a refundable credit) made to any individual under this title shall not be taken into account as income, and shall not be taken into account as resources for a period of 12 months from receipt, for purposes of determining the eligibility of such individual (or any other individual) for benefits or assistance (or the amount or extent of benefits or assistance) under any Federal program or under any State or local program financed in whole or in part with Federal funds.

“(b) TERMINATION.—Subsection (a) shall not apply to any amount received after December 31, 2010.”

(b) CLERICAL AMENDMENT.—The table of sections for such subchapter is amended by adding at the end the following new item:

“Sec. 6409. Refunds disregarded in the administration of Federal programs and federally assisted programs.”

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to amounts received after December 31, 2009.

**SEC. 612. STATE COURT IMPROVEMENT PROGRAM.**

Section 438 of the Social Security Act (42 U.S.C. 629h) is amended—

- (1) in subsection (c)(2)(A), by striking “2010” and inserting “2011”; and
- (2) in subsection (e), by striking “2010” and inserting “2011”.

**SEC. 613. QUALIFYING TIMBER CONTRACT OPTIONS.**

(a) **DEFINITIONS.**—In this section:

(1) **QUALIFYING CONTRACT.**—The term “qualifying contract” means a contract that has not been terminated by the Bureau of Land Management for the sale of timber on lands administered by the Bureau of Land Management that meets all of the following criteria:

(A) The contract was awarded during the period beginning on January 1, 2005, and ending on December 31, 2008.

(B) There is unharvested volume remaining for the contract.

(C) The contract is not a salvage sale.

(D) The Secretary determined there is not an urgent need to harvest under the contract due to deteriorating timber conditions that developed after the award of the contract.

(2) **SECRETARY.**—The term “Secretary” means the Secretary of the Interior, acting through the Director of Bureau of Land Management.

(3) **TIMBER PURCHASER.**—The term “timber purchaser” means the party to the qualifying contract for the sale of timber from lands administered by the Bureau of Land Management.

(b) **MARKET-RELATED CONTRACT EXTENSION OPTION.**—Upon a timber purchaser’s written request, the Secretary may make a one-time modification to the qualifying contract to add 3 years to the contract expiration date if the written request—

(1) is received by the Secretary not later than 90 days after the date of enactment of this Act; and

(2) contains a provision releasing the United States from all liability, including further consideration or compensation, resulting from the modification under this subsection of the term of a qualifying contract.

(c) **REPORTING.**—Not later than 6 months after the date of the enactment of this Act, the Secretary shall submit to Congress a report detailing a plan and timeline to promulgate new regulations authorizing the Bureau of Land Management to extend timber contracts due to changes in market conditions.

(d) **REGULATIONS.**—Not later than 2 years after the date of the enactment of this Act, the Secretary shall promulgate new regulations authorizing the Bureau of Land Management to extend timber contracts due to changes in market conditions.

(e) **NO SURRENDER OF CLAIMS.**—This section shall not have the effect of surrendering any claim by the United States against any

timber purchaser that arose under a timber sale contract, including a qualifying contract, before the date on which the Secretary adjusts the contract term under subsection (b).

**SEC. 614. EXTENSION AND FLEXIBILITY FOR CERTAIN ALLOCATED SURFACE TRANSPORTATION PROGRAMS.**

(a) **MODIFICATION OF ALLOCATION RULES.**—Section 411(d) of the Surface Transportation Extension Act of 2010 (Public Law 111–147; 124 Stat. 80) is amended—

(1) in paragraph (1)—

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

(i) by striking “1301, 1302,”; and

(ii) by striking “1198, 1204,”; and

(B) in subparagraph (A)—

(i) in the matter preceding clause (i) by striking “apportioned under sections 104(b) and 144 of title 23, United States Code,” and inserting “specified in section 105(a)(2) of title 23, United States Code (except the high priority projects program),”; and

(ii) in clause (ii) by striking “apportioned under such sections of such Code” and inserting “specified in such section 105(a)(2) (except the high priority projects program)”;

(2) in paragraph (2)—

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

(i) by striking “1301, 1302,”; and

(ii) by striking “1198, 1204,”; and

(B) in subparagraph (A)—

(i) in the matter preceding clause (i) by striking “apportioned under sections 104(b) and 144 of title 23, United States Code,” and inserting “specified in section 105(a)(2) of title 23, United States Code (except the high priority projects program),”; and

(ii) in clause (ii) by striking “apportioned under such sections of such Code” and inserting “specified in such section 105(a)(2) (except the high priority projects program)”;

(3) by adding at the end the following:

“(5) **PROJECTS OF NATIONAL AND REGIONAL SIGNIFICANCE AND NATIONAL CORRIDOR INFRASTRUCTURE IMPROVEMENT PROGRAMS.**—

“(A) **REDISTRIBUTION AMONG STATES.**—Notwithstanding sections 1301(m) and 1302(e) of SAFETEA–LU (119 Stat. 1202 and 1205), the Secretary shall apportion funds authorized to be appropriated under subsection (b) for the projects of national and regional significance program and the national corridor infrastructure improvement program among all States such that each State’s share of the funds so apportioned is equal to the State’s share for fiscal year 2009 of funds apportioned or allocated for the programs specified in section 105(a)(2) of title 23, United States Code.

“(B) **DISTRIBUTION AMONG PROGRAMS.**—Funds apportioned to a State pursuant to subparagraph (A) shall be—

“(i) made available to the State for the programs specified in section 105(a)(2) of title 23, United States

Code (except the high priority projects program), and in the same proportion for each such program that—

“(I) the amount apportioned to the State for that program for fiscal year 2009; bears to

“(II) the amount apportioned to the State for fiscal year 2009 for all such programs; and

“(ii) administered in the same manner and with the same period of availability as funding is administered under programs identified in clause (i).”

(b) EXPENDITURE AUTHORITY FROM HIGHWAY TRUST FUND.—Paragraph (1) of section 9503(c) of the Internal Revenue Code of 1986 is amended by striking “Surface Transportation Extension Act of 2010” and inserting “American Jobs and Closing Tax Loopholes Act of 2010”.

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect upon the date of enactment of the Surface Transportation Extension Act of 2010 (Public Law 111–147; 124 Stat. 78 et seq.) and shall be treated as being included in that Act at the time of the enactment of that Act.

**SEC. 615. COMMUNITY COLLEGE AND CAREER TRAINING GRANT PROGRAM.**

(a) IN GENERAL.—Section 278(a) of the Trade Act of 1974 (19 U.S.C. 2372(a)) is amended by adding at the end the following:

“(3) RULE OF CONSTRUCTION.—For purposes of this section, any reference to ‘workers’, ‘workers eligible for training under section 236’, or any other reference to workers under this section shall be deemed to include individuals who are, or are likely to become, eligible for unemployment compensation as defined in section 85(b) of the Internal Revenue Code of 1986, or who remain unemployed after exhausting all rights to such compensation.”

(b) DEFINITION OF ELIGIBLE INSTITUTION.—Section 278(b)(1) of the Trade Act of 1974 (19 U.S.C. 2372(b)(1)) is amended—

(1) by striking “section 102” and inserting “section 101(a)”; and

(2) by striking “1002” and inserting “1001(a)”.

(c) AUTHORIZATION OF APPROPRIATIONS.—Section 279 of the Trade Act of 1974 (19 U.S.C. 2372a) is amended—

(1) in subsection (a), by striking the last sentence; and

(2) by adding at the end the following:

“(c) ADMINISTRATIVE AND RELATED COSTS.—The Secretary may retain not more than 5 percent of the funds appropriated under subsection (b) for each fiscal year to administer, evaluate, and establish reporting systems for the Community College and Career Training Grant program under section 278.

“(d) SUPPLEMENT NOT SUPPLANT.—Funds appropriated under subsection (b) shall be used to supplement and not supplant other Federal, State, and local public funds expended to support community college and career training programs.

“(e) AVAILABILITY.—Funds appropriated under subsection (b) shall remain available for the fiscal year for which the funds are appropriated and the subsequent fiscal year.”

**SEC. 616. EXTENSIONS OF DUTY SUSPENSIONS ON COTTON SHIRTING FABRICS AND RELATED PROVISIONS.**

(a) EXTENSIONS.—Each of the following headings of the Harmonized Tariff Schedule of the United States is amended by striking the date in the effective date column and inserting “12/31/2013”:

- (1) Heading 9902.52.08 (relating to woven fabrics of cotton).
- (2) Heading 9902.52.09 (relating to woven fabrics of cotton).
- (3) Heading 9902.52.10 (relating to woven fabrics of cotton).
- (4) Heading 9902.52.11 (relating to woven fabrics of cotton).
- (5) Heading 9902.52.12 (relating to woven fabrics of cotton).
- (6) Heading 9902.52.13 (relating to woven fabrics of cotton).
- (7) Heading 9902.52.14 (relating to woven fabrics of cotton).
- (8) Heading 9902.52.15 (relating to woven fabrics of cotton).
- (9) Heading 9902.52.16 (relating to woven fabrics of cotton).
- (10) Heading 9902.52.17 (relating to woven fabrics of cotton).
- (11) Heading 9902.52.18 (relating to woven fabrics of cotton).
- (12) Heading 9902.52.19 (relating to woven fabrics of cotton).
- (13) Heading 9902.52.20 (relating to woven fabrics of cotton).
- (14) Heading 9902.52.21 (relating to woven fabrics of cotton).
- (15) Heading 9902.52.22 (relating to woven fabrics of cotton).
- (16) Heading 9902.52.23 (relating to woven fabrics of cotton).
- (17) Heading 9902.52.24 (relating to woven fabrics of cotton).
- (18) Heading 9902.52.25 (relating to woven fabrics of cotton).
- (19) Heading 9902.52.26 (relating to woven fabrics of cotton).
- (20) Heading 9902.52.27 (relating to woven fabrics of cotton).
- (21) Heading 9902.52.28 (relating to woven fabrics of cotton).
- (22) Heading 9902.52.29 (relating to woven fabrics of cotton).
- (23) Heading 9902.52.30 (relating to woven fabrics of cotton).
- (24) Heading 9902.52.31 (relating to woven fabrics of cotton).

(b) EXTENSION OF DUTY REFUNDS AND PIMA COTTON TRUST FUND; MODIFICATION OF AFFIDAVIT REQUIREMENTS.—Section 407 of title IV of division C of the Tax Relief and Health Care Act of 2006 (Public Law 109–432; 120 Stat. 3060) is amended—

(1) in subsection (b)—

(A) in paragraph (1), by striking “amounts determined by the Secretary” and all that follows through “5208.59.80” and inserting “amounts received in the general fund that are attributable to duties received since January 1, 2004, on articles classified under heading 5208”; and

(B) in paragraph (2), by striking “October 1, 2008” and inserting “December 31, 2013”;

(2) in subsection (d)—

(A) in the matter preceding paragraph (1), by inserting “annually” after “provided”; and

(B) in paragraph (1), by inserting “during the year in which the affidavit is filed and” after “imported cotton fabric”; and

(3) in subsection (f)—

(A) in the matter preceding paragraph (1), by inserting “annually” after “provided”; and

(B) in paragraph (1), by inserting “during the year in which the affidavit is filed and” after “United States”.

(c) **EFFECTIVE DATE.**—The amendments made by this section shall take effect on the date of the enactment of this Act and apply with respect to affidavits filed on or after such date of enactment.

**SEC. 617. MODIFICATION OF WOOL APPAREL MANUFACTURERS TRUST FUND.**

(a) **IN GENERAL.**—Section 4002(c)(2)(A) of the Miscellaneous Trade and Technical Corrections Act of 2004 (Public Law 108–429; 118 Stat. 2600) is amended by striking “chapter 51” and inserting “chapter 62”.

(b) **FULL RESTORATION OF PAYMENT LEVELS IN FISCAL YEAR 2010.**—

(1) **TRANSFER OF AMOUNTS.**—

(A) **IN GENERAL.**—Not later than 30 days after the date of the enactment of this Act, the Secretary of the Treasury shall transfer to the Wool Apparel Manufacturers Trust Fund, out of the general fund of the Treasury of the United States, amounts determined by the Secretary of the Treasury to be equivalent to amounts received in the general fund that are attributable to the duty received on articles classified under chapter 62 of the Harmonized Tariff Schedule of the United States, subject to the limitation in subparagraph (B).

(B) **LIMITATION.**—The Secretary of the Treasury shall not transfer more than the amount determined by the Secretary to be necessary for—

(i) U.S. Customs and Border Protection to make payments to eligible manufacturers under section 4002(c)(3) of the Miscellaneous Trade and Technical Corrections Act of 2004 so that the amount of such payments, when added to any other payments made to eligible manufacturers under section 4002(c)(3) of such Act for calendar year 2010, equal the total amount of payments authorized to be provided to eligible manufacturers under section 4002(c)(3) of such Act for calendar year 2010; and

(ii) the Secretary of Commerce to provide grants to eligible manufacturers under section 4002(c)(6) of the Miscellaneous Trade and Technical Corrections Act of 2004 so that the amounts of such grants, when added to any other grants made to eligible manufacturers under section 4002(c)(6) of such Act for calendar year 2010, equal the total amount of grants authorized to be provided to eligible manufacturers under section 4002(c)(6) of such Act for calendar year 2010.

(2) **PAYMENT OF AMOUNTS.**—U.S. Customs and Border Protection shall make payments described in paragraph (1) to eligible manufacturers not later than 30 days after such transfer of amounts from the general fund of the Treasury of the United States to the Wool Apparel Manufacturers Trust Fund. The Secretary of Commerce shall promptly provide grants described in paragraph (1) to eligible manufacturers after such transfer of amounts from the general fund of the Treasury of the United States to the Wool Apparel Manufacturers Trust Fund.

(c) **RULE OF CONSTRUCTION.**—The amendment made by subsection (a) shall not be construed to affect the availability of amounts transferred to the Wool Apparel Manufacturers Trust Fund before the date of the enactment of this Act.

**SEC. 618. DEPARTMENT OF COMMERCE STUDY.**

Not later than 180 days after the date of enactment of this Act, the Secretary of Commerce shall report to Congress detailing—

- (1) the pattern of job loss in the New England, Mid-Atlantic, and Midwest States over the past 20 years;
- (2) the role of the off-shoring of manufacturing jobs in overall job loss in the regions; and
- (3) recommendations to attract industries and bring jobs to the region.

**SEC. 619. ARRA PLANNING AND REPORTING.**

Section 1512 of the American Recovery and Reinvestment Act of 2009 (Public Law 111–5; 123 Stat. 287) is amended—

(1) in subsection (d)—

(A) in the subsection heading, by inserting “PLANS AND” after “AGENCY”;

(B) by striking “Not later than” and inserting the following:

“(1) **DEFINITION.**—In this subsection, the term ‘covered program’ means a program for which funds are appropriated under this division—

“(A) in an amount that is—

“(i) more than \$2,000,000,000; and

“(ii) more than 150 percent of the funds appropriated for the program for fiscal year 2008; or

“(B) that did not exist before the date of enactment of this Act.

“(2) **PLANS.**—Not later than July 1, 2010, the head of each agency that distributes recovery funds shall submit to Congress and make available on the website of the agency a plan for each covered program, which shall, at a minimum, contain—

“(A) a description of the goals for the covered program using recovery funds;

“(B) a discussion of how the goals described in subparagraph (A) relate to the goals for ongoing activities of the covered program, if applicable;

“(C) a description of the activities that the agency will undertake to achieve the goals described in subparagraph (A);

“(D) a description of the total recovery funding for the covered program and the recovery funding for each activity under the covered program, including identifying whether the activity will be carried out using grants, contracts, or other types of funding mechanisms;

“(E) a schedule of milestones for major phases of the activities under the covered program, with planned delivery dates;

“(F) performance measures the agency will use to track the progress of each of the activities under the covered program in meeting the goals described in subparagraph

(A), including performance targets, the frequency of measurement, and a description of the methodology for each measure;

“(G) a description of the process of the agency for the periodic review of the progress of the covered program towards meeting the goals described in subparagraph (A); and

“(H) a description of how the agency will hold program managers accountable for achieving the goals described in subparagraph (A).

“(3) REPORTS.—

“(A) IN GENERAL.—Not later than”; and

(C) by adding at the end the following:

“(B) REPORTS ON PLANS.—Not later than 30 days after the end of the calendar quarter ending September 30, 2010, and every calendar quarter thereafter during which the agency obligates or expends recovery funds, the head of each agency that developed a plan for a covered program under paragraph (2) shall submit to Congress and make available on a website of the agency a report for each covered program that—

“(i) discusses the progress of the agency in implementing the plan;

“(ii) describes the progress towards achieving the goals described in paragraph (2)(A) for the covered program;

“(iii) discusses the status of each activity carried out under the covered program, including whether the activity is completed;

“(iv) details the unobligated and unexpired balances and total obligations and outlays under the covered program;

“(v) discusses—

“(I) whether the covered program has met the milestones for the covered program described in paragraph (2)(E);

“(II) if the covered program has failed to meet the milestones, the reasons why; and

“(III) any changes in the milestones for the covered program, including the reasons for the change;

“(vi) discusses the performance of the covered program, including—

“(I) whether the covered program has met the performance measures for the covered program described in paragraph (2)(F);

“(II) if the covered program has failed to meet the performance measures, the reasons why; and

“(III) any trends in information relating to the performance of the covered program; and

“(vii) evaluates the ability of the covered program to meet the goals of the covered program given the performance of the covered program.”;

(2) in subsection (f)—

(A) by striking “Within 180 days” and inserting the following:

“(1) IN GENERAL.—Within 180 days”; and

(B) by adding at the end the following:

“(2) PENALTIES.—

“(A) IN GENERAL.—Subject to subparagraphs (B), (C), and (D), the Attorney General may bring a civil action in an appropriate United States district court against a recipient of recovery funds from an agency that does not provide the information required under subsection (c) or knowingly provides information under subsection (c) that contains a material omission or misstatement. In a civil action under this paragraph, the court may impose a civil penalty on a recipient of recovery funds in an amount not more than \$250,000. Any amounts received from a civil penalty under this paragraph shall be deposited in the general fund of the Treasury.

“(B) NOTIFICATION.—

“(i) IN GENERAL.—The head of an agency shall provide a written notification to a recipient of recovery funds from the agency that fails to provide the information required under subsection (c). A notification under this subparagraph shall provide the recipient with information on how to comply with the necessary reporting requirements and notice of the penalties for failing to do so.

“(ii) LIMITATION.—A court may not impose a civil penalty under subparagraph (A) relating to the failure to provide information required under subsection (c) if, not later than 31 days after the date of the notification under clause (i), the recipient of the recovery funds provides the information.

“(C) CONSIDERATIONS.—In determining the amount of a penalty under this paragraph for a recipient of recovery funds, a court shall consider—

“(i) the number of times the recipient has failed to provide the information required under subsection (c);

“(ii) the amount of recovery funds provided to the recipient;

“(iii) whether the recipient is a government, non-profit entity, or educational institution; and

“(iv) whether the recipient is a small business concern (as defined under section 3 of the Small Business Act (15 U.S.C. 632)), with particular consideration given to businesses with not more than 50 employees.

“(D) APPLICABILITY.—This paragraph shall apply to any report required to be submitted on or after the date of enactment of this paragraph.

“(E) NONEXCLUSIVITY.—The imposition of a civil penalty under this subsection shall not preclude any other criminal, civil, or administrative remedy available to the United States or any other person under Federal or State law.

“(3) TECHNICAL ASSISTANCE.—Each agency distributing recovery funds shall provide technical assistance, as necessary, to assist recipients of recovery funds in complying with the re-

quirements to provide information under subsection (c), which shall include providing recipients with a reminder regarding each reporting requirement.

“(4) PUBLIC LISTING.—

“(A) IN GENERAL.—Not later than 45 days after the end of each calendar quarter, and subject to the notification requirements under paragraph (2)(B), the Board shall make available on the website established under section 1526 a list of all recipients of recovery funds that did not provide the information required under subsection (c) for the calendar quarter.

“(B) CONTENTS.—A list made available under subparagraph (A) shall, for each recipient of recovery funds on the list, include the name and address of the recipient, the identification number for the award, the amount of recovery funds awarded to the recipient, a description of the activity for which the recovery funds were provided, and, to the extent known by the Board, the reason for noncompliance.

“(5) REGULATIONS AND REPORTING.—

“(A) REGULATIONS.—Not later than 90 days after the date of enactment of this paragraph, the Attorney General, in consultation with the Director of the Office of Management and Budget and the Chairperson, shall promulgate regulations regarding implementation of this section.

“(B) REPORTING.—

“(i) IN GENERAL.—Not later than July 1, 2010, and every 3 months thereafter, the Director of the Office of Management and Budget, in consultation with the Chairperson, shall submit to Congress a report on the extent of noncompliance by recipients of recovery funds with the reporting requirements under this section.

“(ii) CONTENTS.—Each report submitted under clause (i) shall include—

“(I) information, for the quarter and in total, regarding the number and amount of civil penalties imposed and collected under this subsection, sorted by agency and program;

“(II) information on the steps taken by the Federal Government to reduce the level of noncompliance; and

“(III) any other information determined appropriate by the Director.”; and

(3) by adding at the end the following:

“(i) TERMINATION.—The reporting requirements under this section shall terminate on September 30, 2013.”.

## **TITLE VII—BUDGETARY PROVISIONS**

### **SEC. 701. BUDGETARY PROVISIONS.**

(a) STATUTORY PAYGO.—The budgetary effects of this Act, for the purpose of complying with the Statutory Pay-As-You-Go-Act of 2010, shall be determined by reference to the latest statement ti-

tled 'Budgetary Effects of PAYGO Legislation' for this Act, jointly submitted for printing in the Congressional Record by the Chairmen of the House and Senate Budget Committees, provided that such statement has been submitted prior to the vote on passage in the House acting first on this conference report or amendment between the Houses.

(b) EMERGENCY DESIGNATIONS.—Sections 501, 511, and 516—

(1) are designated as an emergency requirement pursuant to section 4(g) of the Statutory Pay-As-You-Go Act of 2010 (Public Law 111-139; 2 U.S.C. 933(g)),

(2) in the House of Representatives, are designated as an emergency for purposes of pay-as-you-go principles, and

(3) in the Senate, are designated as an emergency requirement pursuant to section 403(a) of S. Con. Res. 13 (111th Congress), the concurrent resolution on the budget for fiscal year 2010.

Amend the title of the bill so as to read: "A bill to promote American jobs through increased investment in infrastructure and other job creating activities, to close tax loopholes, to eliminate tax incentives for offshoring of jobs, and for other purposes."

PART B—TEXT OF AMENDMENT TO BE CONSIDERED AS ADOPTED

Page 25, strike line 22 and all that follows through line 15 on page 26, and insert the following:

(1) IN GENERAL.—Clause (i) of section 451(i)(4)(B) is amended to read as follows:

"(i) who the Federal Energy Regulatory Commission determines in its authorization of the transaction under section 203 of the Federal Power Act (16 U.S.C. 824b) or by declaratory order—

"(I) is not itself a market participant as determined by the Commission, and also is not controlled by any such market participant, or

"(II) to be independent from market participants or to be an independent transmission company within the meaning of such Commission's rules applicable to independent transmission providers, and"

Page 31, after line 11, insert the following:

(c) TEMPORARY COORDINATION WITH HOPE AND LIFETIME LEARNING CREDITS.—In the case of any taxpayer for any taxable year beginning in 2010, no deduction shall be allowed under section 222 of the Internal Revenue Code of 1986 if—

(1) the taxpayer's net Federal income tax reduction which would be attributable to such deduction for such taxable year, is less than

(2) the credit which would be allowed to the taxpayer for such taxable year under section 25A of such Code (determined without regard to sections 25A(e) and 26 of such Code).

Page 82, strike line 10 and all that follows through line 7 on page 83 and insert the following:

"(VI) EXCEPTION FOR CERTAIN REDEMPTIONS.—The following shall not be taken into account under subclause (I):

“(aa) Redemptions of securities which, at the time of redemption, are not listed on an established securities market and—

“(AA) are made pursuant to a pension plan that is qualified under section 401 of the Internal Revenue Code of 1986 or a shareholder-approved program, or

“(BB) are made on account of an employee’s termination of employment with the plan sponsor, or the death or disability of a shareholder.

“(bb) Redemptions of securities which are not, immediately after issuance, listed on an established securities market and are, or had previously been—

“(AA) held, directly or indirectly, by, or for the benefit of, the Federal Government or a Federal reserve bank, or

“(BB) held by a national government (or a government-related entity of such a government) or an employee benefit plan if such shares are substantially identical to shares described in subitem (AA).

Page 107, strike line 16 and all that follows through line 12 on page 108 and insert the following:

“(VI) EXCEPTION FOR CERTAIN REDEMPTIONS.—  
The following shall not be taken into account under subclause (I):

“(aa) Redemptions of securities which, at the time of redemption, are not listed on an established securities market and—

“(AA) are made pursuant to a pension plan that is qualified under section 401 of the Internal Revenue Code of 1986 or a shareholder-approved program, or

“(BB) are made on account of an employee’s termination of employment with the plan sponsor, or the death or disability of a shareholder.

“(bb) Redemptions of securities which are not, immediately after issuance, listed on an established securities market and are, or had previously been—

“(AA) held, directly or indirectly, by, or for the benefit of, the Federal Government or a Federal reserve bank, or

“(BB) held by a national government (or a government-related entity of such a government) or an employee benefit plan if such shares are substantially identical to shares described in subitem (AA).

Page 124, line 4, strike “40” and insert “20”.

Page 175, line 13, insert before the period the following: “or the plan’s allocable share of such costs for the preceding year”.

Page 189, line 10, strike “plan”.

Page 190, line 22, strike “subparagraph (C)(v)(III)” and insert “subparagraph (C)(vi)(III)”.

Page 207, line 15, insert before the period the following: “or the plan’s allocable share of such costs for the preceding year”.

Page 221, line 4, strike “plan”.

Page 222, line 18, strike “subparagraph (A)(v)(III)” and insert “subparagraph (A)(vi)(III)”.

Page 228, insert after line 24 the following:

(c) SPECIAL RULE FOR COMPLIANCE WITH SUBTITLE.—Until 12 months after final regulations are issued by the Secretary of Labor pursuant to the amendments made by this subtitle, a service provider or plan administrator shall be treated as having complied with such amendments if such service provider or plan administrator complies with a reasonable good faith interpretation of such amendments.

Page 249, line 19, strike “with” and insert “within”.

Page 274, line 3, insert “be” after “may”.

Page 289, line 21, insert “or any other reorganization specified by the Secretary” before “, in applying”.

Page 291, line 23, strike “32” and insert “34”.

Page 293, line 2, strike “30.5” and insert “36”.

Page 293, line 14, strike “December 31, 2010” and insert “November 30, 2010”.

Page 293, strike lines 15 through 17 and insert the following:

(B) in the heading for subsection (b)(2), by striking “JUNE 2, 2010” and inserting “NOVEMBER 30, 2010”; and

Page 293, line 19, strike “May 31, 2011” and insert “April 30, 2011”.

Page 293, line 25, strike “December 31, 2010” and insert “November 30, 2010”.

Page 294, strike lines 1 through 3 and insert the following:

(B) in the heading for paragraph (2), by striking “JUNE 2, 2010” and inserting “NOVEMBER 30, 2010”; and

Page 294, line 5, strike “June 30, 2011” and insert “May 31, 2011”.

Page 294, line 11, strike “January 1, 2011” and insert “December 1, 2010”.

Page 294, line 13, strike “June 1, 2011” and insert “May 1, 2011”.

Page 294, line 17, strike “May 31, 2011” and insert “April 30, 2011”.

Page 295, after line 3, insert the following:

(c) CONDITIONS FOR RECEIVING EMERGENCY UNEMPLOYMENT COMPENSATION.—Section 4001(d)(2) of the Supplemental Appropriations Act, 2008 (Public Law 110–252; 26 U.S.C. 3304 note) is amended, in the matter preceding subparagraph (A), by inserting before “shall apply” the following: “(including terms and conditions relating to availability for work, active search for work, and refusal to accept work)”.

Page 295, line 4, strike “(c)” and insert “(d)”.

Page 301, line 12, strike “household” and insert “family”.

Page 304, line 9, strike “December 31, 2010” and insert “November 30, 2010”.

Page 307, line 8, strike “(a) IN GENERAL.—”.

Page 308, strike line 18 and all that follows through page 309, line 4, and insert the following:

(B) in paragraph (2), by inserting “of such Act” after “1923”; and

Page 309, strike lines 18 through 21.

Page 343, strike line 19 and all that follows through line 24 on page 359, and insert the following:

**SEC. 523. PHYSICIAN PAYMENT UPDATE.**

Section 1848(d) of the Social Security Act (42 U.S.C. 1395w–4(d)) is amended—

(1) in paragraph (10), in the heading, by striking “PORTION” and inserting “THE FIRST 5 MONTHS ”; and

(2) by adding at the end the following new paragraphs:

“(11) UPDATE FOR THE LAST 7 MONTHS OF 2010.—

“(A) IN GENERAL.—Subject to paragraphs (7)(B), (8)(B), (9)(B), and (10)(B), in lieu of the update to the single conversion factor established in paragraph (1)(C) that would otherwise apply for 2010 for the period beginning on June 1, 2010, and ending on December 31, 2010, the update to the single conversion factor shall be 2.2 percent.

“(B) NO EFFECT ON COMPUTATION OF CONVERSION FACTOR FOR 2011 AND SUBSEQUENT YEARS.—The conversion factor under this subsection shall be computed under paragraph (1)(A) for 2011 and subsequent years as if subparagraph (A) had never applied.

“(12) UPDATE FOR 2011.—

“(A) IN GENERAL.—Subject to paragraphs (7)(B), (8)(B), (9)(B), (10)(B), and (11)(B), in lieu of the update to the single conversion factor established in paragraph (1)(C) that would otherwise apply for 2011, the update to the single conversion factor shall be 1.0 percent.

“(B) NO EFFECT ON COMPUTATION OF CONVERSION FACTOR FOR 2012 AND SUBSEQUENT YEARS.—The conversion factor under this subsection shall be computed under paragraph (1)(A) for 2012 and subsequent years as if subparagraph (A) had never applied.”.

Page 367, strike lines 16 through 20.

Page 374, strike line 19 and all that follows through line 8 on page 375 (all of paragraph (3)), and insert the following:

(3) PROVISION OF GRANTS.—

(A) IN GENERAL.—The Secretary shall make grants to States for disaster counties on a pro rata basis based on the value of specialty crop losses in those counties during the 2009 calendar year, as determined by the Secretary.

(B) ADMINISTRATIVE COSTS.—State Secretary of Agriculture may not use more than five percent of the funds provided for costs associated with the administration of the grants provided in paragraph (1).

(C) ADMINISTRATION OF GRANTS.—State Secretary of Agriculture may enter into a contract with the Department of Agriculture to administer the grants provided in paragraph (1).

(D) TIMING.—Not later than 90 days after the date of enactment of this Act, the Secretary shall make grants to States to provide assistance under this subsection.

(E) MAXIMUM GRANT.—The maximum amount of a grant made to a State for counties described in paragraph (1)(B) may not exceed \$40,000,000.

Page 396, line 25, strike “2010,” and insert “2010 (including any modifications agreed to by the parties and approved by the court under that agreement)”.

Page 414, after line 16, insert the following:

(d) SAVINGS CLAUSE.—

(1) IN GENERAL.—For fiscal year 2010 and for the period beginning on October 1, 2010, and ending on December 31, 2010, the amount of funds apportioned to each State under section 411(d) of the Surface Transportation Extension Act of 2010 (Public Law 111–147) that is determined by the amount that the State received or was authorized to receive for fiscal year 2009 to carry out the projects of national and regional significance program and national corridor infrastructure improvement program shall be the greater of—

(A) the amount that the State was authorized to receive under section 411(d) of the Surface Transportation Extension Act of 2010 with respect to each such program according to the provisions of that Act, as in effect on the day before the date of enactment of this Act; or

(B) the amount that the State is authorized to receive under section 411(d) of the Surface Transportation Extension Act of 2010 with respect to each such program pursuant to the provisions of that Act, as amended by the amendments made by this section.

(2) OBLIGATION AUTHORITY.—For fiscal year 2010, the amount of obligation authority distributed to each State shall be the greater of—

(A) the amount that the State was authorized to receive pursuant to section 120(a)(4)(A) (as it pertains to the Appalachian Development Highway System program) of title I of division A of the Consolidated Appropriations Act, 2010 (Public Law 111–117) and sections 120(a)(4)(B) and 120(a)(6) of such title, as of the day before the date of enactment of this Act; or

(B) the amount that the State is authorized to receive pursuant to section 120(a)(4)(A) (as it pertains to the Appalachian Development Highway System program) of title I of division A of the Consolidated Appropriations Act, 2010 (Public Law 111–117) and sections 120(a)(4)(B) and 120(a)(6) of such title, as of the date of enactment of this Act.

(3) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated out of the Highway Trust Fund (other than

the Mass Transit Account) such sums as may be necessary to carry out this subsection.

(4) INCREASE IN OBLIGATION LIMITATION.—The limitation under the heading “Federal-aid Highways (Limitation on Obligations) (Highway Trust Fund)” in Public Law 111–117 is increased by such sums as may be necessary to carry out this subsection.

(5) CONTRACT AUTHORITY.—Funds made available to carry out this subsection shall be available for obligation and administered in the same manner as if such funds were apportioned under chapter 1 of title 23, United States Code.

(6) AMOUNTS.—The dollar amount specified in section 105(d)(1) of title 23, United States Code, the dollar amount specified in section 120(a)(4)(B) of title I of division A of the Consolidated Appropriations Act, 2010 (Public Law 111–117), and the dollar amount specified in section 120(b)(10) of such title shall each be increased as necessary to carry out this subsection.

Page 433, strike the amendment to the title of the bill.

