

109TH CONGRESS
1ST SESSION

H. R. 4323

To amend the Internal Revenue Code of 1986 to extend certain expiring provisions, to provide certain hurricane-related tax relief, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 15, 2005

Mr. THOMAS introduced the following bill; which was referred to the
Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to extend certain expiring provisions, to provide certain hurricane-related tax relief, and for other purposes.

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

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

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Tax Revision Act of 2005”.

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

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

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

Sec. 1. Short title, etc.

Sec. 2. Election to include combat pay as earned income for purposes of earned
 income credit.

Sec. 3. Cover over of tax on distilled spirits.

Sec. 4. Authority for undercover operations.

Sec. 5. Disclosures of certain tax return information.

Sec. 6. Deduction allowable with respect to income attributable to domestic pro-
 duction activities in Puerto Rico.

Sec. 7. Federal guarantee of certain State bonds.

Sec. 8. Certain tax relief related to Hurricanes Rita and Wilma.

Sec. 9. Gulf Coast Recovery Bonds.

5 **SEC. 2. ELECTION TO INCLUDE COMBAT PAY AS EARNED**
 6 **INCOME FOR PURPOSES OF EARNED INCOME**
 7 **CREDIT.**

8 (a) IN GENERAL.—Subclause (II) of section
 9 32(c)(2)(B)(vi) is amended by striking “January 1, 2006”
 10 and inserting “January 1, 2007”.

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

14 **SEC. 3. COVER OVER OF TAX ON DISTILLED SPIRITS.**

15 (a) IN GENERAL.—Paragraph (1) of section 7652(f)
 16 (relating to limitation on cover over of tax on distilled spir-
 17 its) is amended by striking “January 1, 2006” and insert-
 18 ing “January 1, 2007”.

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

4 **SEC. 4. AUTHORITY FOR UNDERCOVER OPERATIONS.**

5 Paragraph (6) of section 7608(c) (relating to applica-
6 tion of section) is amended by striking “January 1, 2006”
7 both places it appears and inserting “January 1, 2007”.

8 **SEC. 5. DISCLOSURES OF CERTAIN TAX RETURN INFORMATI-**
9 **ON.**

10 (a) DISCLOSURES TO FACILITATE COMBINED EM-
11 PLOYMENT TAX REPORTING.—

12 (1) IN GENERAL.—Subparagraph (B) of section
13 6103(d)(5) (relating to termination) is amended by
14 striking “December 31, 2005” and inserting “De-
15 cember 31, 2006”.

16 (2) EFFECTIVE DATE.—The amendment made
17 by paragraph (1) shall apply to disclosures after De-
18 cember 31, 2005.

19 (b) DISCLOSURES RELATING TO TERRORIST ACTIVI-
20 TIES.—

21 (1) IN GENERAL.—Clause (iv) of section
22 6103(i)(3)(C) and subparagraph (E) of section
23 6103(i)(7) are each amended by striking “December
24 31, 2005” and inserting “December 31, 2006”.

1 (2) EFFECTIVE DATE.—The amendments made
2 by paragraph (1) shall apply to disclosures after De-
3 cember 31, 2005.

4 (c) DISCLOSURES RELATING TO STUDENT LOANS.—

5 (1) IN GENERAL.—Subparagraph (D) of section
6 6103(l)(13) (relating to termination) is amended by
7 striking “December 31, 2005” and inserting “De-
8 cember 31, 2006”.

9 (2) EFFECTIVE DATE.—The amendment made
10 by paragraph (1) shall apply to requests made after
11 December 31, 2005.

12 **SEC. 6. DEDUCTION ALLOWABLE WITH RESPECT TO IN-**
13 **COME ATTRIBUTABLE TO DOMESTIC PRO-**
14 **DUCTION ACTIVITIES IN PUERTO RICO.**

15 (a) IN GENERAL.—Subsection (d) of section 199 (re-
16 lating to definitions and special rules) is amended by re-
17 designating paragraph (7) as paragraph (8) and by insert-
18 ing after paragraph (6) the following new paragraph:

19 “(7) TREATMENT OF ACTIVITIES IN PUERTO
20 RICO.—In the case of any taxpayer with gross re-
21 ceipts for any taxable year from sources within the
22 Commonwealth of Puerto Rico, if all of such receipts
23 are taxable under section 1 or 11 for such taxable
24 year, then for purposes of determining the domestic
25 production gross receipts of such taxpayer for such

1 taxable year under subsection (c)(4), the term
2 ‘United States’ shall include the Commonwealth of
3 Puerto Rico”.

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

7 **SEC. 7. FEDERAL GUARANTEE OF CERTAIN STATE BONDS.**

8 (a) STATE BONDS DESCRIBED.—This section shall
9 apply to a bond issued as part of an issue if—

10 (1) the issue of which such bond is part is an
11 issue of the State of Alabama, Louisiana, or Mis-
12 sissippi,

13 (2) the bond is a general obligation of the
14 issuing State and is in registered form,

15 (3) the proceeds of the bond are distributed to
16 one or more political subdivisions of the issuing
17 State,

18 (4) the maturity of such bond does not exceed
19 5 years,

20 (5) the bond is issued after the date of the en-
21 actment of this Act and before January 1, 2008,
22 and

23 (6) the bond is designated by the Secretary of
24 the Treasury for purposes of this section.

25 (b) APPLICATION.—

1 (1) IN GENERAL.—The Secretary of the Treas-
2 ury may only designate a bond for purposes of this
3 section pursuant to an application submitted to the
4 Secretary by the State which demonstrates the need
5 for such designation on the basis of the criteria
6 specified in paragraph (2).

7 (2) CRITERIA.—For purposes of paragraph (1),
8 the criteria specified in this paragraph are—

9 (A) the loss of revenue base of one or more
10 political subdivisions of the State by reason of
11 Hurricane Katrina,

12 (B) the need for resources to fund infra-
13 structure within, or operating expenses of, any
14 such political subdivision,

15 (C) the lack of access of such political sub-
16 division to capital, and

17 (D) any other criteria as may be deter-
18 mined by the Secretary.

19 (3) GUIDANCE FOR SUBMISSION AND CONSID-
20 ERATION OF APPLICATIONS.—The Secretary of the
21 Treasury shall prescribe regulations or other guid-
22 ance which provide for the time and manner for the
23 submission and consideration of applications under
24 this subsection.

1 (c) FEDERAL GUARANTEE.—A bond described in
 2 subsection (a) is guaranteed by the United States in an
 3 amount equal to 50 percent of the outstanding principal
 4 with respect to such bond.

5 (d) AGGREGATE LIMIT ON BOND DESIGNATIONS.—
 6 The maximum aggregate face amount of bonds which may
 7 be issued under this section shall not exceed
 8 \$3,000,000,000.

9 **SEC. 8. CERTAIN TAX RELIEF RELATED TO HURRICANES**
 10 **RITA AND WILMA.**

11 (a) SPECIAL RULE FOR DETERMINING EARNED IN-
 12 COME.—

13 (1) IN GENERAL.—In the case of a qualified in-
 14 dividual, if the earned income of the taxpayer for the
 15 taxable year which includes the applicable date is
 16 less than the earned income of the taxpayer for the
 17 preceding taxable year, the credits allowed under
 18 sections 24(d) and 32 of the Internal Revenue Code
 19 of 1986 may, at the election of the taxpayer, be de-
 20 termined by substituting—

21 (A) such earned income for the preceding
 22 taxable year, for

23 (B) such earned income for the taxable
 24 year which includes the applicable date.

1 (2) QUALIFIED INDIVIDUAL.—For purposes of
2 this subsection—

3 (A) IN GENERAL.—The term “qualified in-
4 dividual” means any qualified Hurricane Rita
5 individual and any qualified Hurricane Wilma
6 individual.

7 (B) QUALIFIED HURRICANE RITA INDI-
8 VIDUAL.—The term “qualified Hurricane Rita
9 individual” means any individual (other than a
10 qualified Hurricane Katrina individual) whose
11 principal place of abode on September 23,
12 2005, was located—

13 (i) in the Rita GO Zone, or

14 (ii) in the Hurricane Rita disaster
15 area (but outside the Rita GO Zone) and
16 such individual was displaced from such
17 principal place of abode by reason of Hur-
18 ricane Rita.

19 (C) QUALIFIED HURRICANE WILMA INDI-
20 VIDUAL.—The term “qualified Hurricane
21 Wilma individual” means any individual (other
22 than a qualified Hurricane Katrina individual
23 or a qualified Hurricane Rita individual) whose
24 principal place of abode on October 23, 2005,
25 was located—

- 1 (i) in the Wilma GO Zone, or
2 (ii) in the Hurricane Wilma disaster
3 area (but outside the Wilma GO Zone) and
4 such individual was displaced from such
5 principal place of abode by reason of Hur-
6 ricane Wilma.

7 (D) QUALIFIED HURRICANE KATRINA IN-
8 DIVIDUAL.—The term “qualified Hurricane
9 Katrina individual” has the meaning given such
10 term by section 406 of the Katrina Emergency
11 Tax Relief Act of 2005.

12 (3) APPLICABLE DATE.—For purposes of this
13 subsection, the term “applicable date” means—

14 (A) in the case of a qualified Hurricane
15 Rita individual, September 23, 2005, and

16 (B) in the case of a qualified Hurricane
17 Wilma individual, October 23, 2005.

18 (4) RITA AND WILMA GO ZONE; ETC.—For pur-
19 poses of this subsection—

20 (A) RITA GO ZONE.—The term “Rita GO
21 Zone” means that portion of the Hurricane
22 Rita disaster area determined by the President
23 to warrant individual or individual and public
24 assistance from the Federal Government under
25 the Robert T. Stafford Disaster Relief and

1 Emergency Assistance Act by reason of Hurri-
2 cane Rita.

3 (B) HURRICANE RITA DISASTER AREA.—
4 The term “Hurricane Rita disaster area”
5 means an area with respect to which a major
6 disaster has been declared by the President, be-
7 fore October 6, 2005, under section 401 of such
8 Act by reason of Hurricane Rita.

9 (C) WILMA GO ZONE.—The term “Wilma
10 GO Zone” means that portion of the Hurricane
11 Wilma disaster area determined by the Presi-
12 dent to warrant individual or individual and
13 public assistance from the Federal Government
14 under such Act by reason of Hurricane Wilma.

15 (D) HURRICANE WILMA DISASTER AREA.—
16 The term “Hurricane Wilma disaster area”
17 means an area with respect to which a major
18 disaster has been declared by the President, be-
19 fore November 14, 2005, under section 401 of
20 such Act by reason of Hurricane Wilma.

21 (5) EARNED INCOME.—For purposes of this
22 subsection, the term “earned income” has the mean-
23 ing given such term under section 32(c) of the Inter-
24 nal Revenue Code of 1986.

25 (6) SPECIAL RULES.—

1 (A) APPLICATION TO JOINT RETURNS.—

2 For purposes of paragraph (1), in the case of
3 a joint return for a taxable year which includes
4 the applicable date—

5 (i) such paragraph shall apply if ei-
6 ther spouse is a qualified individual, and

7 (ii) the earned income of the taxpayer
8 for the preceding taxable year shall be the
9 sum of the earned income of each spouse
10 for such preceding taxable year.

11 (B) UNIFORM APPLICATION OF ELEC-
12 TION.—Any election made under paragraph (1)
13 shall apply with respect to both section 24(d)
14 and section 32 of the Internal Revenue Code of
15 1986.

16 (C) ERRORS TREATED AS MATHEMATICAL
17 ERROR.—For purposes of section 6213 of the
18 Internal Revenue Code of 1986, an incorrect
19 use on a return of earned income pursuant to
20 paragraph (1) shall be treated as a mathe-
21 matical or clerical error.

22 (D) NO EFFECT ON DETERMINATION OF
23 GROSS INCOME, ETC.—Except as otherwise pro-
24 vided in this subsection, the Internal Revenue

1 Code of 1986 shall be applied without regard to
2 any substitution under paragraph (1).

3 (b) SECRETARIAL AUTHORITY TO MAKE ADJUST-
4 MENTS REGARDING TAXPAYER AND DEPENDENCY STA-
5 TUS.—With respect to taxable years beginning in 2005 or
6 2006, the Secretary of the Treasury may make such ad-
7 justments in the application of the internal revenue laws
8 as may be necessary to ensure that taxpayers do not lose
9 any deduction or credit or experience a change of filing
10 status by reason of temporary relocations by reason of
11 Hurricane Rita or Hurricane Wilma. Any adjustments
12 made under the preceding sentence shall ensure that an
13 individual is not taken into account by more than one tax-
14 payer with respect to the same tax benefit.

15 **SEC. 9. GULF COAST RECOVERY BONDS.**

16 It is the sense of the Congress that the Secretary of
17 the Treasury, or the Secretary's delegate, should designate
18 one or more series of bonds or certificates (or any portion
19 thereof) issued under section 3105 of title 31, United
20 States Code, as "Gulf Coast Recovery Bonds" in response
21 to Hurricanes Katrina, Rita, and Wilma.

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