

## Calendar No. 212

109TH CONGRESS  
1ST SESSION**S. 1696**

To provide tax relief for the victims of Hurricane Katrina, to provide incentives for charitable giving, and for other purposes.

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IN THE SENATE OF THE UNITED STATES

SEPTEMBER 13, 2005

Mr. GRASSLEY (for himself, Mr. BAUCUS, Mr. LOTT, Ms. LANDRIEU, Mr. VITTER, Mr. COCHRAN, Mr. SHELBY, and Mr. CRAIG) introduced the following bill; which was referred to the Committee on Finance

SEPTEMBER 15, 2005

Committee discharged; amended and ordered to be placed on the calendar

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**A BILL**

To provide tax relief for the victims of Hurricane Katrina, to provide incentives for charitable giving, 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; AMENDMENT OF 1986 CODE;**

4                       **TABLE OF CONTENTS.**

5       (a) SHORT TITLE.—This Act may be cited as the  
6       “Hurricane Katrina Tax Relief Act of 2005”.

1 (b) AMENDMENT OF 1986 CODE.—Except as other-  
 2 wise expressly provided, whenever in this Act an amend-  
 3 ment or repeal is expressed in terms of an amendment  
 4 to, or repeal of, a section or other provision, the reference  
 5 shall be considered to be made to a section or other provi-  
 6 sion of the Internal Revenue Code of 1986.

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

Sec. 1. Short title; amendment of 1986 Code; table of contents.  
 Sec. 2. Hurricane Katrina disaster area.

#### TITLE I—PENALTY FREE USE OF RETIREMENT FUNDS BY NATURAL DISASTER VICTIMS

Sec. 101. Penalty free withdrawals from retirement plans for victims of feder-  
ally declared natural disasters.  
 Sec. 102. Income averaging for disaster-relief distributions related to Hurricane  
Katrina.  
 Sec. 103. Recontributions of withdrawals for home purchases cancelled due to  
Hurricane Katrina.  
 Sec. 104. Loans from qualified plans to victims of Hurricane Katrina.  
 Sec. 105. Provisions relating to plan amendments.

#### TITLE II—EMPLOYMENT RELIEF

Sec. 201. Work opportunity tax credit for Hurricane Katrina employee sur-  
vivors.  
 Sec. 202. Employee retention credit for employers affected by Hurricane  
Katrina.

#### TITLE III—CHARITABLE GIVING INCENTIVES

Sec. 301. Temporary increase in limitation on individual and corporate chari-  
table cash contributions.  
 Sec. 302. Tax-free distributions from individual retirement accounts for chari-  
table purposes.  
 Sec. 303. Charitable deduction for contributions of food inventories.  
 Sec. 304. Charitable deduction for contributions of book inventories.  
 Sec. 305. Additional personal exemption amount for Hurricane Katrina house-  
guest.  
 Sec. 306. Increase in standard mileage rate for charitable use of passenger  
automobile.

#### TITLE IV—ADDITIONAL TAX RELIEF PROVISIONS

Sec. 401. Exclusions of certain cancellations of indebtedness for victims of Hur-  
ricane Katrina.  
 Sec. 402. Modification to casualty loss rules for victims of Hurricane Katrina.

- Sec. 403. Required exercise of authority under section 7508A for tax relief for victims of Hurricane Katrina.
- Sec. 404. Special mortgage financing rules for residences located in Hurricane Katrina disaster area.
- Sec. 405. Extension of replacement period for nonrecognition of gain for property located in Hurricane Katrina disaster area.
- Sec. 406. Special rule for determining earned income.
- Sec. 407. Secretarial authority to make adjustments regarding taxpayer and dependency status.

#### TITLE V—ADDITIONAL PROVISIONS

- Sec. 501. Disclosure to State officials of proposed actions related to exempt organizations.
- Sec. 502. Dedication and use of certain fees.

### 1 **SEC. 2. HURRICANE KATRINA DISASTER AREA.**

2 For purposes of this Act, the term “Hurricane  
3 Katrina disaster area” means an area—

4 (1) with respect to which a major disaster has  
5 been declared by the President before September 14,  
6 2005, under section 401 of the Robert T. Stafford  
7 Disaster Relief and Emergency Assistance Act in  
8 connection with Hurricane Katrina, and

9 (2) which is determined by the President before  
10 such date to warrant individual assistance, or indi-  
11 vidual and public assistance, from the Federal Gov-  
12 ernment under such Act.

1 **TITLE I—PENALTY FREE USE OF**  
 2 **RETIREMENT FUNDS BY NAT-**  
 3 **URAL DISASTER VICTIMS**

4 **SEC. 101. PENALTY FREE WITHDRAWALS FROM RETIRE-**  
 5 **MENT PLANS FOR VICTIMS OF FEDERALLY**  
 6 **DECLARED NATURAL DISASTERS.**

7 (a) IN GENERAL.—Paragraph (2) of section 72(t)  
 8 (relating to 10-percent additional tax on early distribu-  
 9 tions from qualified retirement plans) is amended by add-  
 10 ing at the end the following new subparagraph:

11 “(G) DISTRIBUTIONS FROM RETIREMENT  
 12 PLANS TO VICTIMS OF FEDERALLY DECLARED  
 13 NATURAL DISASTERS.—

14 “(i) DISTRIBUTION ALLOWED.—Any  
 15 qualified disaster-relief distribution.

16 “(ii) AMOUNT DISTRIBUTED MAY BE  
 17 REPAID.—

18 “(I) IN GENERAL.—Any indi-  
 19 vidual who receives a qualified dis-  
 20 aster-relief distribution may, at any  
 21 time during the 3-year period begin-  
 22 ning on the day after the date on  
 23 which such distribution was made,  
 24 make one or more contributions in an  
 25 aggregate amount not to exceed the

1 amount of such distribution to an eli-  
2 gible retirement plan (as defined in  
3 section 402(c)(8)(B)) of which such  
4 individual is a beneficiary and to  
5 which a rollover contribution of such  
6 distribution could be made under sec-  
7 tion 402(c), 403(a)(4), 403(b)(8),  
8 408(d)(3), or 457(e)(16), as the case  
9 may be.

10 “(II) TREATMENT OF REPAY-  
11 MENTS FOR DISTRIBUTIONS FROM EL-  
12 IGIBLE RETIREMENT PLANS OTHER  
13 THAN IRAS.—For purposes of this  
14 title, if a contribution is made pursu-  
15 ant to subclause (I) with respect to a  
16 qualified disaster-relief distribution  
17 from an eligible retirement plan (as so  
18 defined) other than an individual re-  
19 tirement plan, then the taxpayer shall,  
20 to the extent of the amount of the  
21 contribution, be treated as having re-  
22 ceived the qualified disaster-relief dis-  
23 tribution in an eligible rollover dis-  
24 tribution (as defined in section  
25 402(c)(4)) and as having transferred

1 the amount to the eligible retirement  
2 plan in a direct trustee to trustee  
3 transfer within 60 days of the dis-  
4 tribution.

5 “(III) TREATMENT OF REPAY-  
6 MENTS FOR DISTRIBUTIONS FROM  
7 IRAS.—For purposes of this title, if a  
8 contribution is made pursuant to sub-  
9 clause (I) with respect to a qualified  
10 disaster-relief distribution from an in-  
11 dividual retirement plan, then, to the  
12 extent of the amount of the contribu-  
13 tion, the qualified disaster-relief dis-  
14 tribution shall be treated as a dis-  
15 tribution described in section  
16 408(d)(3) and as having been trans-  
17 ferred to the eligible retirement plan  
18 in a direct trustee to trustee transfer  
19 within 60 days of the distribution.

20 “(IV) APPLICATION TO GOVERN-  
21 MENTAL SECTION 457 PLANS.—In de-  
22 termining whether any distribution is  
23 a qualified disaster-relief distribution  
24 for purposes of this clause, an eligible  
25 deferred compensation plan (as de-

1           fined in section 457(b)) maintained by  
 2           an employer described in section  
 3           457(e)(1)(A) shall be treated as a  
 4           qualified retirement plan.

5           “(iii) QUALIFIED DISASTER-RELIEF  
 6           DISTRIBUTION.—Except as provided in  
 7           clause (iv), for purposes of this subpara-  
 8           graph, the term ‘qualified disaster-relief  
 9           distribution’ means any distribution—

10           “(I) to an individual who has  
 11           sustained a loss as a result of a major  
 12           disaster declared under section 401 of  
 13           the Robert T. Stafford Disaster Relief  
 14           and Emergency Assistance Act and  
 15           who has a principal place of abode im-  
 16           mediately before the declaration in a  
 17           qualified disaster area, and

18           “(II) which is made during the 1-  
 19           year period beginning on the date  
 20           such declaration is made.

21           “(iv) DOLLAR LIMITATION.—

22           “(I) IN GENERAL.—The term  
 23           ‘qualified disaster-relief distribution’  
 24           shall not include any distributions  
 25           with respect to any major disaster de-

scribed in clause (iii)(I) to the extent the aggregate amount of such distributions exceeds \$100,000.

“(II) TREATMENT OF PLAN DISTRIBUTIONS.—If a distribution to an individual with respect to any such major disaster would (without regard to subclause (I)) be a qualified disaster-relief distribution, a plan shall not be treated as violating any requirement of this title merely because it treats such distribution as a qualified disaster-relief distribution, unless the aggregate amount of such distributions from all plans maintained by the employer (and any member of controlled group which includes the employer) to such individual with respect to such major disaster exceeds \$100,000.

“(v) QUALIFIED DISASTER AREA.—For purposes of this subparagraph, the term ‘qualified disaster area’ means an area—



1 “(I) with respect to which a  
 2 major disaster has been declared by  
 3 the President under section 401 of the  
 4 Robert T. Stafford Disaster Relief  
 5 and Emergency Assistance Act, and

6 “(II) which is determined by the  
 7 President to warrant individual assist-  
 8 ance, or individual and public assist-  
 9 ance, from the Federal Government  
 10 under such Act.”.

11 (b) EXEMPTION OF DISTRIBUTIONS FROM TRUSTEE  
 12 TO TRUSTEE TRANSFER AND WITHHOLDING RULES.—  
 13 Paragraph (4) of section 402(c) (relating to eligible roll-  
 14 over distribution) is amended by striking “and” at the end  
 15 of subparagraph (B), by striking the period at the end  
 16 of subparagraph (C) and inserting “, and”, and by insert-  
 17 ing at the end the following new subparagraph:

18 “(D) any qualified disaster-relief distribu-  
 19 tion (within the meaning of section  
 20 72(t)(2)(G)).”.

21 (c) CONFORMING AMENDMENTS.—

22 (1) Section 401(k)(2)(B)(i) is amended by  
 23 striking “or” at the end of subclause (III), by strik-  
 24 ing “and” at the end of subclause (IV) and inserting

1 “or”, and by inserting after subclause (IV) the fol-  
2 lowing new subclause:

3 “(V) the date on which a period  
4 referred to in section  
5 72(t)(2)(G)(iii)(II) begins (but only to  
6 the extent provided in section  
7 72(t)(2)(G)), and”.

8 (2) Section 403(b)(7)(A)(ii) is amended by in-  
9 serting “sustains a loss as a result of a major dis-  
10 aster declared under section 401 of the Robert T.  
11 Stafford Disaster Relief and Emergency Assistance  
12 Act (but only to the extent provided in section  
13 72(t)(2)(G)),” before “or”.

14 (3) Section 403(b)(11) is amended by striking  
15 “or” at the end of subparagraph (A), by striking the  
16 period at the end of subparagraph (B) and inserting  
17 “, or”, and by inserting after subparagraph (B) the  
18 following new subparagraph:

19 “(C) for distributions to which section  
20 72(t)(2)(G) applies.”.

21 (4) Section 457(d)(1)(A) is amended by strik-  
22 ing “or” at the end of clause (ii), by adding “or”  
23 at the end of clause (iii), and by adding at the end  
24 the following new clause:

1 “(iv) in the case of an eligible de-  
 2 ferred compensation plan established and  
 3 maintained by an employer described in  
 4 subsection (e)(1)(A), when the participant  
 5 sustains a loss as a result of a major dis-  
 6 aster declared under section 401 of the  
 7 Robert T. Stafford Disaster Relief and  
 8 Emergency Assistance Act (but only to the  
 9 extent provided in section 72(t)(2)(G)),”.

10 (d) EFFECTIVE DATE.—The amendments made by  
 11 this section shall apply to distributions received after Au-  
 12 gust 28, 2005.

13 **SEC. 102. INCOME AVERAGING FOR DISASTER-RELIEF DIS-**  
 14 **TRIBUTIONS RELATED TO HURRICANE**  
 15 **KATRINA.**

16 (a) IN GENERAL.—In the case of any qualified dis-  
 17 aster-relief distribution (within the meaning of section  
 18 72(t)(2)(G) of the Internal Revenue Code of 1986) from  
 19 a qualified retirement plan (as defined in section 4974(c)  
 20 of such Code) to a qualified individual, unless the taxpayer  
 21 elects not to have this section apply for any taxable year,  
 22 any amount required to be included in gross income for  
 23 such taxable year shall be so included ratably over the 3-  
 24 taxable year period beginning with such taxable year.

25 (b) SPECIAL RULES.—

1           (1) APPLICATION TO GOVERNMENTAL SECTION  
 2           457 PLANS.—In determining whether any distribu-  
 3           tion is a qualified disaster-relief distribution (as so  
 4           defined) for purposes of this section, an eligible de-  
 5           ferred compensation plan (as defined in section  
 6           457(b) of such Code) maintained by an employer de-  
 7           scribed in section 457(e)(1)(A) of such Code shall be  
 8           treated as a qualified retirement plan (as so de-  
 9           fined).

10           (2) CERTAIN RULES TO APPLY.—Rules similar  
 11           to the rules of subparagraph (E) of section  
 12           408A(d)(3) of such Code shall apply for purposes of  
 13           this section.

14           (c) QUALIFIED INDIVIDUAL.—For purposes of this  
 15           section, the term “qualified individual” means an indi-  
 16           vidual who has sustained a loss as a result of the major  
 17           disaster declared under section 401 of the Robert T. Staf-  
 18           ford Disaster Relief and Emergency Assistance Act (42  
 19           U.S.C. 5170) in connection with Hurricane Katrina and  
 20           who has a principal place of abode immediately before the  
 21           declaration in a Hurricane Katrina disaster area.

22           **SEC. 103. RECONTRIBUTIONS OF WITHDRAWALS FOR HOME**  
 23                           **PURCHASES CANCELLED DUE TO HURRI-**  
 24                           **CANE KATRINA.**

25           (a) RECONTRIBUTIONS.—

1           (1) IN GENERAL.—Any individual who received  
2           a qualified distribution may, at any time during the  
3           6-month period beginning on the day after the dis-  
4           aster declaration date, make one or more contribu-  
5           tions in an aggregate amount not to exceed the  
6           amount of such qualified distribution to an eligible  
7           retirement plan (as defined in section 402(c)(8)(B)  
8           of the Internal Revenue Code of 1986) of which such  
9           individual is a beneficiary and to which a rollover  
10          contribution of such distribution could be made  
11          under section 402(c), 403(a)(4), 403(b)(8), or  
12          408(d)(3) of such Code, as the case may be.

13           (2) TREATMENT OF REPAYMENTS.—

14           (A) TREATMENT OF REPAYMENTS FOR  
15          DISTRIBUTIONS FROM ELIGIBLE RETIREMENT  
16          PLANS OTHER THAN IRAS.—For purposes of  
17          the Internal Revenue Code of 1986, if a con-  
18          tribution is made pursuant to paragraph (1)  
19          with respect to a qualified distribution from an  
20          eligible retirement plan (as so defined) other  
21          than an individual retirement plan (as defined  
22          in section 7701(a)(37) of such Code), then the  
23          taxpayer shall, to the extent of the amount of  
24          the contribution, be treated as having received  
25          the qualified distribution in an eligible rollover

1 distribution (as defined in section 402(c)(4) of  
 2 such Code) and as having transferred the  
 3 amount to the eligible retirement plan in a di-  
 4 rect trustee to trustee transfer within 60 days  
 5 of the distribution.

6 (B) TREATMENT OF REPAYMENTS FOR  
 7 DISTRIBUTIONS FROM IRAS.—For purposes of  
 8 the Internal Revenue Code of 1986, if a con-  
 9 tribution is made pursuant to paragraph (1)  
 10 with respect to a qualified distribution from an  
 11 individual retirement plan (as so defined), then,  
 12 to the extent of the amount of the contribution,  
 13 the qualified distribution shall be treated as a  
 14 distribution described in section 408(d)(3) of  
 15 such Code and as having been transferred to  
 16 the eligible retirement plan (as so defined) in a  
 17 direct trustee to trustee transfer within 60 days  
 18 of the distribution.

19 (b) DEFINITIONS.—For purposes of this section—

20 (1) QUALIFIED DISTRIBUTION.—The term  
 21 “qualified distribution” means any distribution—

22 (A) described in section  
 23 401(k)(2)(B)(i)(IV), 403(b)(7)(A)(ii) (but only  
 24 to the extent such distribution relates to finan-

1           cial hardship), 403(b)(11)(B), or 72(t)(2)(F) of  
2           the Internal Revenue Code of 1986,

3                   (B) received after February 28, 2005, and  
4           before August 29, 2005, and

5                   (C) which was to be used to purchase or  
6           construct a principal residence in a Hurricane  
7           Katrina disaster area, but which was not so  
8           purchased or constructed.

9           (2) DISASTER DECLARATION DATE.—The term  
10          “disaster declaration date” means the date on which  
11          the President designated the area as a Hurricane  
12          Katrina disaster area.

13   **SEC. 104. LOANS FROM QUALIFIED PLANS TO VICTIMS OF**  
14                   **HURRICANE KATRINA.**

15          (a) INCREASE IN LIMIT ON LOANS NOT TREATED AS  
16   DISTRIBUTIONS.—In the case of any loan from a qualified  
17   employer plan (as defined under section 72(p)(4) of the  
18   Internal Revenue Code of 1986) to a qualified individual  
19   (as defined in section 102(c)) made after the date of en-  
20   actment of this Act and before the date which is 1 year  
21   after the disaster declaration date (as defined in section  
22   103(b)(2))—

23                   (1) clause (i) of section 72(p)(2)(A) of such  
24          Code shall be applied by substituting “\$100,000”  
25          for “\$50,000”, and

1 (2) clause (ii) of such section shall be applied  
2 by substituting “the present value of the nonforfeit-  
3 able accrued benefit of the employee under the plan”  
4 for “one-half of the present value of the nonforfeit-  
5 able accrued benefit of the employee under the  
6 plan”.

7 (b) DELAY OF REPAYMENT.—In the case of a quali-  
8 fied individual (as defined in section 102(c)) with an out-  
9 standing loan on or after August 26, 2005, from a quali-  
10 fied employer plan (as defined in section 72(p)(4) of the  
11 Internal Revenue Code of 1986)—

12 (1) if the due date pursuant to subparagraph  
13 (B) or (C) of section 72(p)(2) of such Code for any  
14 repayment with respect to such loan occurs during  
15 the period beginning after August 29, 2005, and  
16 ending before August 30, 2006, such due date shall  
17 be delayed for 1 year,

18 (2) any subsequent repayments with respect to  
19 any such loan shall be appropriately adjusted to re-  
20 flect the delay in the due date under paragraph (1)  
21 and any interest accruing during such delay, and

22 (3) in determining the 5-year period and the  
23 term of a loan under subparagraph (B) or (C) of  
24 section 72(p)(2) of such Code, such period shall be  
25 disregarded.



1 **SEC. 105. PROVISIONS RELATING TO PLAN AMENDMENTS.**

2 (a) IN GENERAL.—If this section applies to any plan  
3 or contract amendment such plan or contract shall be  
4 treated as being operated in accordance with the terms  
5 of the plan during the period described in subsection  
6 (b)(2)(A).

7 (b) AMENDMENTS TO WHICH SECTION APPLIES.—

8 (1) IN GENERAL.—This section shall apply to  
9 any amendment to any plan or annuity contract  
10 which is made—

11 (A) pursuant to any amendment made by  
12 this title, or pursuant to any regulation issued  
13 by the Secretary of the Treasury or the Sec-  
14 retary of Labor under this title, and

15 (B) on or before the last day of the first  
16 plan year beginning on or after January 1,  
17 2007, or such later date as the Secretary of the  
18 Treasury may prescribe.

19 In the case of a governmental plan (as defined in  
20 section 414(d) of the Internal Revenue Code of  
21 1986), subparagraph (B) shall be applied by sub-  
22 stituting the date which is 2 years after the date  
23 otherwise applied under subparagraph (B).

24 (2) CONDITIONS.—This section shall not apply  
25 to any amendment unless—

26 (A) during the period—

(i) beginning on the date the legislative or regulatory amendment described in paragraph (1)(A) takes effect (or in the case of a plan or contract amendment not required by such legislative or regulatory amendment, the effective date specified by the plan), and

(ii) ending on the date described in paragraph (1)(B) (or, if earlier, the date the plan or contract amendment is adopted),

the plan or contract is operated as if such plan or contract amendment were in effect; and

(B) such plan or contract amendment applies retroactively for such period.

## **TITLE II—EMPLOYMENT RELIEF**

### **SEC. 201. WORK OPPORTUNITY TAX CREDIT FOR HURRICANE KATRINA EMPLOYEE SURVIVORS.**

(a) IN GENERAL.—For purposes of section 51 of the Internal Revenue Code of 1986, a Hurricane Katrina employee survivor shall be treated as a member of a targeted group.

(b) HURRICANE KATRINA EMPLOYEE SURVIVOR.—For purposes of this section, the term “Hurricane Katrina

1 employee survivor” means any individual who is certified  
2 as an individual who—

- 3 (1) on August 28, 2005, had a principal place  
4 of abode in a Hurricane Katrina disaster area, and  
5 (2) became unemployed as a result of Hurri-  
6 cane Katrina.

7 (c) SPECIAL RULES FOR DETERMINING CREDIT.—  
8 For purposes of applying subpart F of part IV of sub-  
9 chapter A of chapter 1 of such Code to wages paid or in-  
10 curred to any Hurricane Katrina employee survivor—

11 (1) section 51(c)(4) of such Code shall not  
12 apply,

13 (2) notwithstanding section 51(d)(12) of such  
14 Code, the certification under subsection (b) shall be  
15 made in such manner and at such time as deter-  
16 mined by the Secretary of the Treasury, except that  
17 the certification shall be made by a person other  
18 than such employee survivor or the employer (within  
19 the meaning of section 51 of such Code), and

20 (3) section 51(i)(2) of such Code shall not  
21 apply with respect to the first hire of such employee  
22 survivor, unless such employee survivor was an em-  
23 ployee of the employer on August 28, 2005.

24 (d) APPLICATION OF SECTION.—This section shall  
25 apply to wages (within the meaning of section 51(c) of

1 such Code) paid or incurred to any individual who begins  
 2 work—

3 (1) for an employer during the 1-year period  
 4 beginning on August 29, 2005, or

5 (2) in the case of an individual who is being  
 6 hired for a position the principal place of employ-  
 7 ment of which is located in a Hurricane Katrina dis-  
 8 aster area, for any employer during the 3-year pe-  
 9 riod beginning on such date.

10 **SEC. 202. EMPLOYEE RETENTION CREDIT FOR EMPLOYERS**

11 **AFFECTED BY HURRICANE KATRINA.**

12 (a) IN GENERAL.—In the case of an eligible em-  
 13 ployer, there shall be allowed as a credit against the tax  
 14 imposed by chapter 1 of the Internal Revenue Code of  
 15 1986 for the taxable year an amount equal to 40 percent  
 16 of the qualified wages with respect to each eligible em-  
 17 ployee of such employer for such taxable year. For pur-  
 18 poses of the preceding sentence, the amount of qualified  
 19 wages which may be taken into account with respect to  
 20 any individual shall not exceed \$6,000.

21 (b) DEFINITIONS.—For purposes of this section—

22 (1) ELIGIBLE EMPLOYER.—The term “eligible  
 23 employer” means any employer—

1           (A) which conducted an active trade or  
2           business on August 28, 2005, in a Hurricane  
3           Katrina disaster area, and

4           (B) with respect to whom the trade or  
5           business described in subparagraph (A) is inop-  
6           erable on any day after August 28, 2005, and  
7           before January 1, 2006, as a result of damage  
8           sustained in connection with Hurricane  
9           Katrina.

10          (2) ELIGIBLE EMPLOYEE.—The term “eligible  
11          employee” means with respect to an eligible em-  
12          ployer—

13               (A) an employee whose principal place of  
14               employment on August 28, 2005, with such eli-  
15               gible employer was in a Hurricane Katrina dis-  
16               aster area, or

17               (B) a Ready Reserve-National Guard em-  
18               ployee of such eligible employer who is per-  
19               forming qualified active duty and whose prin-  
20               cipal place of employment immediately before  
21               the date on which such employee began per-  
22               forming such qualified active duty was in a  
23               Hurricane Katrina disaster area.

24          (3) QUALIFIED WAGES.—The term “qualified  
25          wages” means wages (as defined in section 51(c)(1)

1 of the Internal Revenue Code of 1986, but without  
2 regard to section 3306(b)(2)(B) of such Code) paid  
3 or incurred by an eligible employer with respect to  
4 an eligible employee on any day after August 28,  
5 2005, and before January 1, 2006, which occurs  
6 during the period—

7 (A) beginning on the date on which the  
8 trade or business described in paragraph (1)  
9 first became inoperable at the principal place of  
10 employment of the employee immediately before  
11 Hurricane Katrina, and

12 (B) ending on the date on which such  
13 trade or business has resumed significant oper-  
14 ations at such principal place of employment.

15 Such term shall include wages paid without regard  
16 to whether the employee performs no services, per-  
17 forms services at a different place of employment  
18 than such principal place of employment, or per-  
19 forms services at such principal place of employment  
20 before significant operations have resumed.

21 (4) READY RESERVE-NATIONAL GUARD EM-  
22 PLOYEE.—The term “Ready Reserve-National  
23 Guard employee” means an employee who is a mem-  
24 ber of the Ready Reserve of a reserve component of  
25 an Armed Force of the United States as described

1 in section 10142 and 10101 of title 10, United  
2 States Code and who is performing qualified active  
3 duty.

4 (5) QUALIFIED ACTIVE DUTY.—The term  
5 “qualified active duty” means—

6 (A) active duty, other than the training  
7 duty specified in section 10147 of title 10,  
8 United States Code (relating to training re-  
9 quirements for Ready Reserve), or section  
10 502(a) of title 32, United States Code (relating  
11 to required drills and field exercises for the Na-  
12 tional Guard), in connection with which an em-  
13 ployee is entitled to reemployment rights and  
14 other benefits or to a leave of absence from em-  
15 ployment under chapter 43 of title 38, United  
16 States Code, and

17 (B) hospitalization incident to such duty.

18 (c) CERTAIN RULES TO APPLY.—For purposes of  
19 this section, rules similar to the rules of sections 51(i)(1),  
20 52, and 280C(a) of the Internal Revenue Code of 1986  
21 shall apply.

22 (d) CREDIT TO BE PART OF GENERAL BUSINESS  
23 CREDIT.—The credit allowed under this section shall be  
24 added to the current year business credit under section  
25 38(b) of the Internal Revenue Code of 1986 and shall be

1 treated as a credit allowed under subpart D of part IV  
 2 of subchapter A of chapter 1 of such Code.

### 3 **TITLE III—CHARITABLE GIVING** 4 **INCENTIVES**

#### 5 **SEC. 301. TEMPORARY INCREASE IN LIMITATION ON INDIVIDUAL AND CORPORATE CHARITABLE CASH** 6 **CONTRIBUTIONS.**

8 (a) IN GENERAL.—In the case of qualified contribu-  
 9 tions made during the period beginning on August 29,  
 10 2005, and ending on December 31, 2005, in the case of  
 11 any taxable year which includes any portion of such pe-  
 12 riod—

13 (1) subsection (b)(1)(A) of section 170 of the  
 14 Internal Revenue Code of 1986 shall be applied sep-  
 15 arately—

16 (A) first without regard to such contribu-  
 17 tions, and

18 (B) next with regard to such contributions  
 19 by substituting “60 percent of the taxpayer’s  
 20 contribution base less the other contributions  
 21 allowable under this paragraph for the taxable  
 22 year” for “50 percent of the taxpayer’s con-  
 23 tribution base for the taxable year”, and

24 (2) subsection (b)(2) of section 170 of such  
 25 Code shall be applied separately—



1 (A) first without regard to such contribu-  
2 tions, and

3 (B) next with regard to such contributions  
4 by substituting “15 percent of the taxpayer’s  
5 taxable income less the other charitable con-  
6 tributions allowable for the taxable year” for  
7 “10 percent of the taxpayer’s taxable income”.

8 (b) QUALIFIED CONTRIBUTIONS.—For purposes of  
9 this section, the term “qualified contributions” means any  
10 charitable contributions (as defined in section 170(c) of  
11 such Code) made in cash to an organization described in  
12 section 170(b)(1)(A) of such Code.

13 (c) APPLICATION OF CARRYOVER RULES.—For pur-  
14 poses of section 170 of such Code—

15 (1) qualified contributions shall not be taken  
16 into account under section 170(d)(1)(A)(i) of such  
17 Code in determining the amount of the deduction al-  
18 lowable under such section with respect to such con-  
19 tributions, and

20 (2) to the extent qualified contributions in-  
21 crease the amount allowable under section 170 of  
22 such Code by reason of subsection (a), such con-  
23 tributions shall not be taken into account under sec-  
24 tion 170(d) of such Code.

1 (d) FISCAL YEAR TAXPAYERS.—In the case of a tax-  
 2 payer whose taxable year ends after August 28, 2005, and  
 3 before December 31, 2005, subsection (a) shall apply to  
 4 only the one taxable year that the taxpayer elects.

5 **SEC. 302. TAX-FREE DISTRIBUTIONS FROM INDIVIDUAL RE-**  
 6 **TIREMENT ACCOUNTS FOR CHARITABLE**  
 7 **PURPOSES.**

8 (a) IN GENERAL.—Subsection (d) of section 408 (re-  
 9 lating to individual retirement accounts) is amended by  
 10 adding at the end the following new paragraph:

11 “(8) DISTRIBUTIONS FOR CHARITABLE PUR-  
 12 POSES.—

13 “(A) IN GENERAL.—No amount shall be  
 14 includible in gross income by reason of a quali-  
 15 fied charitable distribution.

16 “(B) QUALIFIED CHARITABLE DISTRIBUTION.—For purposes of this paragraph, the  
 17 term ‘qualified charitable distribution’ means  
 18 any distribution made after August 28, 2005,  
 19 and before January 1, 2006, from an individual  
 20 retirement account—

22 “(i) which is made directly by the  
 23 trustee—

24 “(I) to an organization described  
 25 in section 170(c), or

1 “(II) to a split-interest entity,

2 and

3 “(ii) which is made on or after—

4 “(I) in the case of any distribu-

5 tion described in clause (i)(I), the

6 date that the individual for whose

7 benefit the account is maintained has

8 attained age 70½, and

9 “(II) in the case of any distribu-

10 tion described in clause (i)(II), the

11 date that such individual has attained

12 age 59½.

13 A distribution shall be treated as a qualified

14 charitable distribution only to the extent that

15 the distribution would be includible in gross in-

16 come without regard to subparagraph (A) and,

17 in the case of a distribution to a split-interest

18 entity, only if no person holds an income inter-

19 est in the amounts in the split-interest entity

20 attributable to such distribution other than one

21 or more of the following: the individual for

22 whose benefit such account is maintained, the

23 spouse of such individual, or any organization

24 described in section 170(c).

“(C) CONTRIBUTIONS MUST BE OTHERWISE DEDUCTIBLE.—For purposes of this paragraph—

“(i) DIRECT CONTRIBUTIONS.—A distribution to an organization described in section 170(c) shall be treated as a qualified charitable distribution only if a deduction for the entire distribution would be allowable under section 170 (determined without regard to subsection (b) thereof and this paragraph).

“(ii) SPLIT-INTEREST GIFTS.—A distribution to a split-interest entity shall be treated as a qualified charitable distribution only if a deduction for the entire value of the interest in the distribution for the use of an organization described in section 170(c) would be allowable under section 170 (determined without regard to subsection (b) thereof and this paragraph).

“(D) APPLICATION OF SECTION 72.—Notwithstanding section 72, in determining the extent to which a distribution is a qualified charitable distribution, the entire amount of the distribution shall be treated as includible in gross

income without regard to subparagraph (A) to the extent that such amount does not exceed the aggregate amount which would have been so includible if all amounts were distributed from all individual retirement accounts treated as 1 contract under paragraph (2)(A) for purposes of determining the inclusion on such distribution under section 72. Proper adjustments shall be made in applying section 72 to other distributions in such taxable year and subsequent taxable years.

“(E) SPECIAL RULES FOR SPLIT-INTEREST ENTITIES.—

“(i) CHARITABLE REMAINDER TRUSTS.—Notwithstanding section 664(b), distributions made from a trust described in subparagraph (G)(i) shall be treated as ordinary income in the hands of the beneficiary to whom is paid the annuity described in section 664(d)(1)(A) or the payment described in section 664(d)(2)(A).

“(ii) POOLED INCOME FUNDS.—No amount shall be includible in the gross income of a pooled income fund (as defined in subparagraph (G)(ii)) by reason of a

1 qualified charitable distribution to such  
 2 fund, and all distributions from the fund  
 3 which are attributable to qualified chari-  
 4 table distributions shall be treated as ordi-  
 5 nary income to the beneficiary.

6 “(iii) CHARITABLE GIFT ANNU-  
 7 ITIES.—Qualified charitable distributions  
 8 made for a charitable gift annuity shall not  
 9 be treated as an investment in the con-  
 10 tract.

11 “(F) DENIAL OF DEDUCTION.—Qualified  
 12 charitable distributions shall not be taken into  
 13 account in determining the deduction under sec-  
 14 tion 170.

15 “(G) SPLIT-INTEREST ENTITY DEFINED.—  
 16 For purposes of this paragraph, the term ‘split-  
 17 interest entity’ means—

18 “(i) a charitable remainder annuity  
 19 trust or a charitable remainder unitrust  
 20 (as such terms are defined in section  
 21 664(d)) which must be funded exclusively  
 22 by qualified charitable distributions,

23 “(ii) a pooled income fund (as defined  
 24 in section 642(c)(5)), but only if the fund  
 25 accounts separately for amounts attrib-

1                   utable to qualified charitable distributions,  
 2                   and  
 3                   “(iii) a charitable gift annuity (as de-  
 4                   fined in section 501(m)(5)).”.

5           (b) MODIFICATIONS RELATING TO INFORMATION RE-  
 6 RETURNS BY CERTAIN TRUSTS.—

7           (1) RETURNS.—Section 6034 (relating to re-  
 8 turns by trusts described in section 4947(a)(2) or  
 9 claiming charitable deductions under section 642(c))  
 10 is amended to read as follows:

11 **“SEC. 6034. RETURNS BY TRUSTS DESCRIBED IN SECTION**  
 12 **4947(a)(2) OR CLAIMING CHARITABLE DEDUC-**  
 13 **TIONS UNDER SECTION 642(c).**

14       “(a) TRUSTS DESCRIBED IN SECTION 4947(a)(2).—  
 15 Every trust described in section 4947(a)(2) shall furnish  
 16 such information with respect to the taxable year as the  
 17 Secretary may by forms or regulations require.

18       “(b) TRUSTS CLAIMING A CHARITABLE DEDUCTION  
 19 UNDER SECTION 642(c).—

20       “(1) IN GENERAL.—Every trust not required to  
 21 file a return under subsection (a) but claiming a de-  
 22 duction under section 642(c) for the taxable year  
 23 shall furnish such information with respect to such  
 24 taxable year as the Secretary may by forms or regu-  
 25 lations prescribe, including—

1           “(A) the amount of the deduction taken  
2           under section 642(c) within such year,

3           “(B) the amount paid out within such year  
4           which represents amounts for which deductions  
5           under section 642(c) have been taken in prior  
6           years,

7           “(C) the amount for which such deductions  
8           have been taken in prior years but which has  
9           not been paid out at the beginning of such year,

10          “(D) the amount paid out of principal in  
11          the current and prior years for the purposes de-  
12          scribed in section 642(c),

13          “(E) the total income of the trust within  
14          such year and the expenses attributable thereto,  
15          and

16          “(F) a balance sheet showing the assets, li-  
17          abilities, and net worth of the trust as of the  
18          beginning of such year.

19          “(2) EXCEPTIONS.—Paragraph (1) shall not  
20          apply to a trust for any taxable year if—

21                 “(A) all the net income for such year, de-  
22                 termined under the applicable principles of the  
23                 law of trusts, is required to be distributed cur-  
24                 rently to the beneficiaries, or



1           “(B) the trust is described in section  
2           4947(a)(1).”.

3           (2) INCREASE IN PENALTY RELATING TO FIL-  
4           ING OF INFORMATION RETURN BY SPLIT-INTEREST  
5           TRUSTS.—Paragraph (2) of section 6652(c) (relating  
6           to returns by exempt organizations and by certain  
7           trusts) is amended by adding at the end the fol-  
8           lowing new subparagraph:

9           “(C) SPLIT-INTEREST TRUSTS.—In the  
10           case of a trust which is required to file a return  
11           under section 6034(a), subparagraphs (A) and  
12           (B) of this paragraph shall not apply and para-  
13           graph (1) shall apply in the same manner as if  
14           such return were required under section 6033,  
15           except that—

16           “(i) the 5 percent limitation in the  
17           second sentence of paragraph (1)(A) shall  
18           not apply,

19           “(ii) in the case of any trust with  
20           gross income in excess of \$250,000, the  
21           first sentence of paragraph (1)(A) shall be  
22           applied by substituting ‘\$100’ for ‘\$20’,  
23           and the second sentence thereof shall be  
24           applied by substituting ‘\$50,000’ for  
25           ‘\$10,000’, and

1 “(iii) the third sentence of paragraph  
2 (1)(A) shall be disregarded.

3 In addition to any penalty imposed on the trust  
4 pursuant to this subparagraph, if the person re-  
5 quired to file such return knowingly fails to file  
6 the return, such penalty shall also be imposed  
7 on such person who shall be personally liable  
8 for such penalty.”.

9 (3) CONFIDENTIALITY OF NONCHARITABLE  
10 BENEFICIARIES.—Subsection (b) of section 6104  
11 (relating to inspection of annual information re-  
12 turns) is amended by adding at the end the fol-  
13 lowing new sentence: “In the case of a trust which  
14 is required to file a return under section 6034(a),  
15 this subsection shall not apply to information re-  
16 garding beneficiaries which are not organizations de-  
17 scribed in section 170(c).”.

18 (c) EFFECTIVE DATES.—

19 (1) SUBSECTION (a).—The amendment made  
20 by subsection (a) shall apply to distributions made  
21 after August 28, 2005.

22 (2) SUBSECTION (b).—The amendments made  
23 by subsection (b) shall apply to returns for taxable  
24 years beginning after December 31, 2004.

1 **SEC. 303. CHARITABLE DEDUCTION FOR CONTRIBUTIONS**  
2 **OF FOOD INVENTORIES.**

3 (a) IN GENERAL.—Subsection (e) of section 170 (re-  
4 lating to certain contributions of ordinary income and cap-  
5 ital gain property) is amended by adding at the end the  
6 following new paragraph:

7 “(7) APPLICATION OF PARAGRAPH (3) TO CER-  
8 TAIN CONTRIBUTIONS OF FOOD INVENTORY.—For  
9 purposes of this section—

10 “(A) EXTENSION TO INDIVIDUALS.—In the  
11 case of a charitable contribution of apparently  
12 wholesome food—

13 “(i) paragraph (3)(A) shall be applied  
14 without regard to whether the contribution  
15 is made by a C corporation, and

16 “(ii) in the case of a taxpayer other  
17 than a C corporation, the aggregate  
18 amount of such contributions for any tax-  
19 able year which may be taken into account  
20 under this section shall not exceed 10 per-  
21 cent of the taxpayer’s net income for such  
22 taxable year from all trades or businesses  
23 from which such contributions were made  
24 for such taxable year, computed without  
25 regard to this section.

“(B) LIMITATION ON REDUCTION.—In the case of a charitable contribution of apparently wholesome food, notwithstanding paragraph (3)(B), the amount of the reduction determined under paragraph (1)(A) shall not exceed the amount by which the fair market value of such property exceeds twice the basis of such property.

“(C) DETERMINATION OF BASIS.—If a taxpayer—

“(i) does not account for inventories under section 471, and

“(ii) is not required to capitalize indirect costs under section 263A,

the taxpayer may elect, solely for purposes of paragraph (3)(B), to treat the basis of any apparently wholesome food as being equal to 25 percent of the fair market value of such food.

“(D) DETERMINATION OF FAIR MARKET VALUE.—In the case of a charitable contribution of apparently wholesome food which is a qualified contribution (within the meaning of paragraph (3), as modified by subparagraph (A) of this paragraph) and which, solely by reason of internal standards of the taxpayer or

1 lack of market, cannot or will not be sold, the  
 2 fair market value of such contribution shall be  
 3 determined—

4 “(i) without regard to such internal  
 5 standards or such lack of market and

6 “(ii) by taking into account the price  
 7 at which the same or substantially the  
 8 same food items (as to both type and qual-  
 9 ity) are sold by the taxpayer at the time of  
 10 the contribution (or, if not so sold at such  
 11 time, in the recent past).

12 “(E) APPARENTLY WHOLESOME FOOD.—

13 For purposes of this paragraph, the term ‘ap-  
 14 parently wholesome food’ has the meaning given  
 15 such term by section 22(b)(2) of the Bill Emer-  
 16 son Good Samaritan Food Donation Act (42  
 17 U.S.C. 1791(b)(2)), as in effect on the date of  
 18 the enactment of this paragraph.

19 “(F) APPLICATION.—This paragraph shall  
 20 apply to contributions made after August 28,  
 21 2005, and before January 1, 2006.”.

22 (b) EFFECTIVE DATE.—The amendment made by  
 23 this section shall apply to contributions made after August  
 24 28, 2005.

1 **SEC. 304. CHARITABLE DEDUCTION FOR CONTRIBUTIONS**  
 2 **OF BOOK INVENTORIES.**

3 (a) IN GENERAL.—Section 170(e)(3) (relating to cer-  
 4 tain contributions of ordinary income and capital gain  
 5 property) is amended by redesignating subparagraph (C)  
 6 as subparagraph (D) and by inserting after subparagraph  
 7 (B) the following new subparagraph:

8 “(C) SPECIAL RULE FOR CONTRIBUTIONS  
 9 OF BOOK INVENTORY FOR EDUCATIONAL PUR-  
 10 POSES.—

11 “(i) CONTRIBUTIONS OF BOOK INVEN-  
 12 TORY.—In determining whether a qualified  
 13 book contribution is a qualified contribu-  
 14 tion, subparagraph (A) shall be applied  
 15 without regard to whether—

16 “(I) the donee is an organization  
 17 described in the matter preceding  
 18 clause (i) of subparagraph (A), and

19 “(II) the property is to be used  
 20 by the donee solely for the care of the  
 21 ill, the needy, or infants.

22 “(ii) AMOUNT OF REDUCTION.—Not-  
 23 withstanding subparagraph (B), the  
 24 amount of the reduction determined under  
 25 paragraph (1)(A) shall not exceed the  
 26 amount by which the fair market value of

the contributed property (as determined by the taxpayer using a bona fide published market price for such book) exceeds twice the basis of such property.

“(iii) QUALIFIED BOOK CONTRIBUTION.—For purposes of this paragraph, the term ‘qualified book contribution’ means a charitable contribution of books, but only if the requirements of clauses (iv) and (v) are met.

“(iv) IDENTITY OF DONEE.—The requirement of this clause is met if the contribution is to an organization—

“(I) described in subclause (I) or (III) of paragraph (6)(B)(i), or

“(II) described in section 501(c)(3) and exempt from tax under section 501(a) (other than a private foundation, as defined in section 509(a), which is not an operating foundation, as defined in section 4942(j)(3)), which is organized primarily to make books available to the general public at no cost or to operate a literacy program.

1           “(v) CERTIFICATION BY DONEE.—The  
2           requirement of this clause is met if, in ad-  
3           dition to the certifications required by sub-  
4           paragraph (A) (as modified by this sub-  
5           paragraph), the donee certifies in writing  
6           that—

7                   “(I) the books are suitable, in  
8                   terms of currency, content, and quan-  
9                   tity, for use in the donee’s educational  
10                  programs, and

11                  “(II) the donee will use the books  
12                  in its educational programs.

13           “(vi) BONA FIDE PUBLISHED MARKET  
14           PRICE.—For purposes of this subpara-  
15           graph, the term ‘bona fide published mar-  
16           ket price’ means, with respect to any book,  
17           a price—

18                   “(I) determined using the same  
19                   printing and edition,

20                   “(II) determined in the usual  
21                   market in which such a book has been  
22                   customarily sold by the taxpayer, and

23                   “(III) for which the taxpayer can  
24                   demonstrate to the satisfaction of the  
25                   Secretary that the taxpayer custom-



1                   arily sold such books in arm’s length  
 2                   transactions within 7 years preceding  
 3                   the contribution of such a book.

4                   “(vii) APPLICATION.—This subpara-  
 5                   graph shall apply to contributions made  
 6                   after August 28, 2005, and before January  
 7                   1, 2006.”.

8           (b) EFFECTIVE DATE.—The amendments made by  
 9   this section shall apply to contributions made after August  
 10 28, 2005.

11 **SEC. 305. ADDITIONAL PERSONAL EXEMPTION AMOUNT**  
 12 **FOR HURRICANE KATRINA HOUSEGUEST.**

13           (a) IN GENERAL.—In the case of the taxpayer’s tax-  
 14 able year beginning in 2005, the amount allowed as a de-  
 15 duction in computing taxable income of the taxpayer  
 16 under section 151 of the Internal Revenue Code of 1986  
 17 shall be increased by the lesser of—

18                   (1) the product of—

19                           (A) \$500, and

20                           (B) the number of Hurricane Katrina  
 21                   houseguests of the taxpayer, or

22                   (2) \$2,000.

23           (b) HURRICANE KATRINA HOUSEGUEST.—For pur-  
 24 poses of this section, the term “Hurricane Katrina house-  
 25 guest” means any individual—

1           (1) who would not otherwise qualify for an ex-  
 2           emption amount with respect to the taxpayer for the  
 3           taxable year,

4           (2) whose principal place of abode in a Hurri-  
 5           cane Katrina disaster area was rendered uninhabit-  
 6           able after August 28, 2005, and

7           (3) is provided shelter without remuneration for  
 8           not less than 60 days after August 28, 2005, and  
 9           before January 1, 2006, by the taxpayer in the tax-  
 10          payer's principal place of abode.

11          (c) LIMITATION.—No deduction shall be allowed  
 12          under this section if the taxpayer receives any rent or  
 13          other amount (from any source) in connection with the  
 14          providing of such shelter.

15      **SEC. 306. INCREASE IN STANDARD MILEAGE RATE FOR**  
 16                              **CHARITABLE USE OF PASSENGER AUTO-**  
 17                              **MOBILE.**

18          Notwithstanding section 170(i) of the Internal Rev-  
 19          enue Code of 1986, for purposes of computing the deduc-  
 20          tion under section 170 of such Code for use of a passenger  
 21          automobile for the period beginning on August 29, 2005,  
 22          and ending before January 1, 2006, the standard mileage  
 23          rate shall be 50 percent of the standard mileage rate in  
 24          effect under section 162(a) of such Code at the time of

1 such use. Any increase under this section shall be rounded  
2 to the next highest cent.

3 **TITLE IV—ADDITIONAL TAX**  
4 **RELIEF PROVISIONS**

5 **SEC. 401. EXCLUSIONS OF CERTAIN CANCELLATIONS OF IN-**  
6 **DEBTEDNESS FOR VICTIMS OF HURRICANE**  
7 **KATRINA.**

8 (a) IN GENERAL.—For purposes of the Internal Rev-  
9 enue Code of 1986, gross income shall not include any  
10 amount which (but for this section) would be includible  
11 in gross income by reason of the discharge (in whole or  
12 in part) of indebtedness of a natural person by an applica-  
13 ble entity (as defined in section 6050P(c)(1)) if the dis-  
14 charge is by reason of the damage sustained by the tax-  
15 payer in connection with Hurricane Katrina.

16 (b) EXCEPTION.—Subsection (a) shall not apply to  
17 any indebtedness incurred in connection with a trade or  
18 business.

19 (c) DENIAL OF DOUBLE BENEFIT.—The amount ex-  
20 cluded from gross income under subsection (a) shall be  
21 applied to reduce the tax attributes of the taxpayer as pro-  
22 vided in section 108(b) of such Code.

23 (d) EFFECTIVE DATE.—This section shall apply to  
24 discharges made on or after August 29, 2005, and before  
25 January 1, 2007.

1 **SEC. 402. MODIFICATION TO CASUALTY LOSS RULES FOR**  
 2 **VICTIMS OF HURRICANE KATRINA.**

3 In the case of an individual with a personal casualty  
 4 loss which arises in connection with Hurricane Katrina—

5 (1) section 165(h)(2)(A) of the Internal Rev-  
 6 enue Code of 1986 shall not apply, and

7 (2) in applying such section to other personal  
 8 casualty losses during the taxable year, losses to  
 9 which this section applies shall be disregarded.

10 **SEC. 403. REQUIRED EXERCISE OF AUTHORITY UNDER SEC-**  
 11 **TION 7508A FOR TAX RELIEF FOR VICTIMS OF**  
 12 **HURRICANE KATRINA.**

13 (a) AUTHORITY INCLUDES SUSPENSION OF PAY-  
 14 MENT OF EMPLOYMENT AND EXCISE TAXES.—Subpara-  
 15 graphs (A) and (B) of section 7508(a)(1) are amended  
 16 to read as follows:

17 “(A) Filing any return of income, estate,  
 18 gift, employment, or excise tax;

19 “(B) Payment of any income, estate, gift,  
 20 employment, or excise tax or any installment  
 21 thereof or of any other liability to the United  
 22 States in respect thereof;”.

23 (b) APPLICATION TO VICTIMS OF HURRICANE  
 24 KATRINA.—In the case of any taxpayer determined by the  
 25 Secretary of the Treasury to be affected by the Presi-  
 26 dentially declared disaster relating to Hurricane Katrina,

1 any relief provided by the Secretary of the Treasury under  
 2 section 7508A of the Internal Revenue Code of 1986 shall  
 3 be for a period ending not earlier than February 28, 2006,  
 4 and shall be treated as applying to the filing of returns  
 5 relating to, and the payment of, employment and excise  
 6 taxes.

7 (c) EFFECTIVE DATE.—The amendment made by  
 8 subsection (a) shall apply for any period for performing  
 9 an act which has not expired before August 29, 2005.

10 **SEC. 404. SPECIAL MORTGAGE FINANCING RULES FOR**  
 11 **RESIDENCES LOCATED IN HURRICANE**  
 12 **KATRINA DISASTER AREA.**

13 In the case of a residence located in a Hurricane  
 14 Katrina disaster area, section 143 of the Internal Revenue  
 15 Code of 1986 shall be applied with the following modifica-  
 16 tions to financing provided with respect to such residence  
 17 within 3 years after the date of the disaster declaration:

18 (1) Subsections (d), (e) and (f) of such section  
 19 143 shall be applied as if such residence were a tar-  
 20 geted area residence.

21 (2) Subsection (f)(3) of such section 143 shall  
 22 be applied without regard to subparagraph (A)  
 23 thereof.

24 (3) The limitation under subsection (k)(4) of  
 25 such section 143 shall be increased (but not above

1       \$150,000) to the extent the qualified home-improve-  
 2       ment loan is for the repair of damage caused by  
 3       Hurricane Katrina.

4       This section shall apply only with respect to bonds issued  
 5       after August 28, 2005, and before August 29, 2008.

6       **SEC. 405. EXTENSION OF REPLACEMENT PERIOD FOR NON-**  
 7                               **RECOGNITION OF GAIN FOR PROPERTY LO-**  
 8                               **CATED IN HURRICANE KATRINA DISASTER**  
 9                               **AREA.**

10       Notwithstanding subsections (g) and (h) of section  
 11       1033 of the Internal Revenue Code of 1986, clause (i) of  
 12       section 1033(a)(2)(B) of such Code shall be applied by  
 13       substituting “5 years” for “2 years” with respect to prop-  
 14       erty which is compulsorily or involuntarily converted as  
 15       a result of Hurricane Katrina in a Hurricane Katrina dis-  
 16       aster area, but only if substantially all of the use of the  
 17       replacement property is in such area.

18       **SEC. 406. SPECIAL RULE FOR DETERMINING EARNED IN-**  
 19                               **COME.**

20       (a) IN GENERAL.—In the case of a qualified indi-  
 21       vidual, if the earned income of the taxpayer for the taxable  
 22       year of such taxpayer which includes August 28, 2005,  
 23       is less than the earned income which attributable to the  
 24       taxpayer for the preceding taxable year, the credits al-  
 25       lowed under sections 24(d) and 32 of the Internal Revenue

1 Code of 1986 may, at the election of the taxpayer, be de-  
2 termined by substituting—

3 (1) such earned income for the preceding tax-  
4 able year, for

5 (2) such earned income for the taxable year  
6 which includes August 28, 2005.

7 (b) QUALIFIED INDIVIDUAL.—For purposes of this  
8 section, the term “qualified individual” means any indi-  
9 vidual who was (as of August 28, 2005) a resident of any  
10 area which is determined by the President to warrant indi-  
11 vidual or individual and public assistance from the Federal  
12 Government under the Robert T. Stafford Disaster Relief  
13 and Emergency Assistance Act by reason of Hurricane  
14 Katrina.

15 (c) EARNED INCOME.—For purposes of this section,  
16 the term “earned income” has the meaning given such  
17 term under section 32(c) of such Code.

18 (d) SPECIAL RULES.—

19 (1) APPLICATION TO JOINT RETURNS.—For  
20 purpose of subsection (a), in the case of a joint re-  
21 turn for a taxable year which includes August 28,  
22 2005—

23 (A) such subsection shall apply if either  
24 spouse is a qualified individual,

1 (B) the earned income which is attrib-  
2 utable to the taxpayer for the preceding taxable  
3 year shall be the sum of the earned income  
4 which is attributable to each spouse for such  
5 preceding taxable year, and

6 (C) the substitution described in such sub-  
7 section shall apply only with respect to earned  
8 income which is attributable to a spouse who is  
9 a qualified individual.

10 (2) UNIFORM APPLICATION OF ELECTION.—  
11 Any election made under subsection (a) shall apply  
12 with respect to both section 24(d) and section 32 of  
13 such Code.

14 (3) ERRORS TREATED AS MATHEMATICAL  
15 ERROR.—For purposes of section 6213 of such  
16 Code, an incorrect use on a return of earned income  
17 pursuant to subsection (a) shall be treated as a  
18 mathematical or clerical error.

19 (4) NO EFFECT ON DETERMINATION OF GROSS  
20 INCOME.—For purposes of the Internal Revenue  
21 Code of 1986, gross income shall be determined  
22 without regard to any substitution under subsection  
23 (a).



1 **SEC. 407. SECRETARIAL AUTHORITY TO MAKE ADJUST-**  
 2 **MENTS REGARDING TAXPAYER AND DEPEND-**  
 3 **ENCY STATUS.**

4 With respect to taxable years beginning in 2005 or  
 5 2006, the Secretary of the Treasury or the Secretary's del-  
 6 egate may make such adjustments in the application of  
 7 the internal revenue laws as may be necessary to ensure  
 8 that taxpayers do not lose any deduction or credit or expe-  
 9 rience a change of filing status by reason of temporary  
 10 relocations after Hurricane Katrina or by reason of the  
 11 receipt of hurricane relief. Any adjustments made under  
 12 the preceding sentence shall ensure that an individual is  
 13 not taken into account by more than one taxpayer with  
 14 respect to the same tax benefit.

15 **TITLE V—ADDITIONAL**  
 16 **PROVISIONS**

17 **SEC. 501. DISCLOSURE TO STATE OFFICIALS OF PROPOSED**  
 18 **ACTIONS RELATED TO EXEMPT ORGANIZA-**  
 19 **TIONS.**

20 (a) IN GENERAL.—Subsection (c) of section 6104 is  
 21 amended by striking paragraph (2) and inserting the fol-  
 22 lowing new paragraphs:

23 “(2) DISCLOSURE OF PROPOSED ACTIONS RE-  
 24 LATED TO CHARITABLE ORGANIZATIONS.—

25 “(A) SPECIFIC NOTIFICATIONS.—In the  
 26 case of an organization to which paragraph (1)

1 applies, the Secretary may disclose to the ap-  
2 propriate State officer—

3 “(i) a notice of proposed refusal to  
4 recognize such organization as an organi-  
5 zation described in section 501(c)(3) or a  
6 notice of proposed revocation of such orga-  
7 nization’s recognition as an organization  
8 exempt from taxation,

9 “(ii) the issuance of a letter of pro-  
10 posed deficiency of tax imposed under sec-  
11 tion 507 or chapter 41 or 42, and

12 “(iii) the names, addresses, and tax-  
13 payer identification numbers of organiza-  
14 tions which have applied for recognition as  
15 organizations described in section  
16 501(c)(3).

17 “(B) ADDITIONAL DISCLOSURES.—Returns  
18 and return information of organizations with  
19 respect to which information is disclosed under  
20 subparagraph (A) may be made available for in-  
21 spection by or disclosed to an appropriate State  
22 officer.

23 “(C) PROCEDURES FOR DISCLOSURE.—In-  
24 formation may be inspected or disclosed under  
25 subparagraph (A) or (B) only—

1 “(i) upon written request by an ap-  
 2 propriate State officer, and

3 “(ii) for the purpose of, and only to  
 4 the extent necessary in, the administration  
 5 of State laws regulating such organiza-  
 6 tions.

7 Such information may only be inspected by or  
 8 disclosed to a person other than the appropriate  
 9 State officer if such person is an officer or em-  
 10 ployee of the State and is designated by the ap-  
 11 propriate State officer to receive the returns or  
 12 return information under this paragraph on be-  
 13 half of the appropriate State officer.

14 “(D) DISCLOSURES OTHER THAN BY RE-  
 15 QUEST.—The Secretary may make available for  
 16 inspection or disclose returns and return infor-  
 17 mation of an organization to which paragraph  
 18 (1) applies to an appropriate State officer of  
 19 any State if the Secretary determines that such  
 20 inspection or disclosure may facilitate the reso-  
 21 lution of Federal or State issues relating to the  
 22 tax-exempt status of such organization.

23 “(3) DISCLOSURE WITH RESPECT TO CERTAIN  
 24 OTHER EXEMPT ORGANIZATIONS.—Upon written re-  
 25 quest by an appropriate State officer, the Secretary

1       may make available for inspection or disclosure re-  
2       turns and return information of an organization de-  
3       scribed in paragraph (2), (4), (6), (7), (8), (10), or  
4       (13) of section 501(c) for the purpose of, and to the  
5       extent necessary in, the administration of State laws  
6       regulating the solicitation or administration of the  
7       charitable funds or charitable assets of such organi-  
8       zations. Such information may only be inspected by  
9       or disclosed to a person other than the appropriate  
10      State officer if such person is an officer or employee  
11      of the State and is designated by the appropriate  
12      State officer to receive the returns or return infor-  
13      mation under this paragraph on behalf of the appro-  
14      priate State officer.

15           “(4) USE IN CIVIL JUDICIAL AND ADMINISTRA-  
16      TIVE PROCEEDINGS.—Returns and return informa-  
17      tion disclosed pursuant to this subsection may be  
18      disclosed in civil administrative and civil judicial pro-  
19      ceedings pertaining to the enforcement of State laws  
20      regulating such organizations in a manner pre-  
21      scribed by the Secretary similar to that for tax ad-  
22      ministration proceedings under section 6103(h)(4).

23           “(5) NO DISCLOSURE IF IMPAIRMENT.—Re-  
24      turns and return information shall not be disclosed  
25      under this subsection, or in any proceeding described

1 in paragraph (4), to the extent that the Secretary  
 2 determines that such disclosure would seriously im-  
 3 pair Federal tax administration.

4 “(6) DEFINITIONS.—For purposes of this sub-  
 5 section—

6 “(A) RETURN AND RETURN INFORMA-  
 7 TION.—The terms ‘return’ and ‘return informa-  
 8 tion’ have the respective meanings given to such  
 9 terms by section 6103(b).

10 “(B) APPROPRIATE STATE OFFICER.—The  
 11 term ‘appropriate State officer’ means—

12 “(i) the State attorney general,

13 “(ii) the State tax officer,

14 “(iii) in the case of an organization to  
 15 which paragraph (1) applies, any other  
 16 State official charged with overseeing orga-  
 17 nizations of the type described in section  
 18 501(c)(3), and

19 “(iv) in the case of an organization to  
 20 which paragraph (3) applies, the head of  
 21 an agency designated by the State attorney  
 22 general as having primary responsibility  
 23 for overseeing the solicitation of funds for  
 24 charitable purposes.”.

25 (b) CONFORMING AMENDMENTS.—

1           (1) Subparagraph (A) of section 6103(p)(3) is  
2           amended by inserting “and section 6104(c)” after  
3           “section” in the first sentence.

4           (2) Paragraph (4) of section 6103(p) is amend-  
5           ed—

6                   (A) in the matter preceding subparagraph  
7           (A), by inserting “, or any appropriate State of-  
8           ficer (as defined in section 6104(c)),” before  
9           “or any other person”,

10                   (B) in subparagraph (F)(i), by inserting  
11           “or any appropriate State officer (as defined in  
12           section 6104(c)),” before “or any other per-  
13           son”, and

14                   (C) in the matter following subparagraph  
15           (F), by inserting “, an appropriate State officer  
16           (as defined in section 6104(c)),” after “includ-  
17           ing an agency” each place it appears.

18           (3) The heading for paragraph (1) of section  
19           6104(c) is amended by inserting “FOR CHARITABLE  
20           ORGANIZATIONS” after “RULE”.

21           (4) Paragraph (2) of section 7213(a) is amend-  
22           ed by inserting “or under section 6104(c)” after  
23           “6103”.

24           (5) Paragraph (2) of section 7213A(a) is  
25           amended by inserting “or 6104(c)” after “6103”.

1           (6) Paragraph (2) of section 7431(a) is amend-  
2       ed by inserting “(including any disclosure in viola-  
3       tion of section 6104(c))” after “6103”.

4       (c) EFFECTIVE DATE.—The amendments made by  
5       this section shall take effect on the date of the enactment  
6       of this Act but shall not apply to requests made before  
7       such date.

8       **SEC. 502. DEDICATION AND USE OF CERTAIN FEES.**

9       Notwithstanding section 202(c) of Public Law 108–  
10     89, the Secretary of the Treasury may retain and use fees  
11     from employee plan and exempt organization letter rulings  
12     and determination letters charged under section 7528 of  
13     the Internal Revenue Code of 1986—

14           (1) in fiscal years 2005 and 2006—

15               (A) for the administration of the provisions  
16           of, and amendments made by, this Act,

17               (B) to provide taxpayer assistance to any  
18           taxpayer determined by the Secretary of the  
19           Treasury to be affected by the Presidentially  
20           declared disaster relating to Hurricane Katrina,  
21           and

22               (C) to aid the Internal Revenue Service in  
23           repairing, rebuilding, and recovering from the  
24           damage to Internal Revenue Service offices,

1 equipment, and support caused by Hurricane  
2 Katrina, and

3 (2) in any fiscal year after 2006—

4 (A) on oversight, enforcement, and admin-  
5 istration by the Tax-Exempt and Government  
6 Entities Division of the Internal Revenue Serv-  
7 ice, and

8 (B) on oversight, enforcement, and admin-  
9 istration of section 170 of such Code.





Calendar No. 212

109TH CONGRESS  
1ST Session

**S. 1696**

**A BILL**

To provide tax relief for the victims of Hurricane  
Katrina, to provide incentives for charitable giving,  
and for other purposes.

SEPTEMBER 15, 2005

Committee discharged; amended and ordered to be placed  
on the calendar