

109TH CONGRESS
2D SESSION

S. 2503

To amend the Internal Revenue Code of 1986 to provide for an extension of the period of limitation to file claims for refunds on account of disability determinations by the Department of Veterans Affairs.

IN THE SENATE OF THE UNITED STATES

APRIL 4, 2006

Mrs. LINCOLN (for herself and Mr. THOMAS) introduced the following bill;
which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to provide for an extension of the period of limitation to file claims for refunds on account of disability determinations by the Department of Veterans Affairs.

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.**

4 This Act may be cited as the “Disabled Veterans Tax
5 Fairness Act of 2006”.

1 **SEC. 2. SPECIAL PERIOD OF LIMITATION WHEN UNI-**
 2 **FORMED SERVICES RETIRED PAY IS RE-**
 3 **DUCTION AS A RESULT OF AWARD OF DIS-**
 4 **ABILITY COMPENSATION.**

5 (a) IN GENERAL.—Subsection (d) of section 6511 of
 6 the Internal Revenue Code of 1986 (relating to special
 7 rules applicable to income taxes) is amended by adding
 8 at the end the following new paragraph:

9 “(8) SPECIAL RULES WHEN UNIFORMED SERV-
 10 ICES RETIRED PAY IS REDUCED AS A RESULT OF
 11 AWARD OF DISABILITY COMPENSATION.—

12 “(A) PERIOD OF LIMITATION ON FILING
 13 CLAIM.—If the claim for credit or refund re-
 14 lates to an overpayment of tax imposed by sub-
 15 title A on account of—

16 “(i) the reduction of uniformed serv-
 17 ices retired pay computed under section
 18 1406 or 1407 of title 10, United States
 19 Code, or

20 “(ii) the waiver of such pay under sec-
 21 tion 5305 of title 38 of such Code,

22 as a result of an award of compensation under
 23 title 38 of such Code pursuant to a determina-
 24 tion by the Secretary of Veterans Affairs, the 3-
 25 year period of limitation prescribed in sub-
 26 section (a) shall be extended, for purposes of

1 permitting a credit or refund based upon the
 2 amount of such reduction or waiver, until the
 3 end of the 1-year period beginning on the date
 4 of such determination.

5 “(B) LIMITATION TO 15 TAXABLE
 6 YEARS.—Subparagraph (A) shall not apply with
 7 respect to any taxable year which began more
 8 than 15 years before the date of such deter-
 9 mination.”.

10 (b) EFFECTIVE DATE.—The amendment made by
 11 subsection (a) shall apply to claims for credit or refund
 12 filed after the date of the enactment of this Act.

13 (c) TRANSITION RULES.—In the case of a determina-
 14 tion described in paragraph (8) of section 6511(d) of the
 15 Internal Revenue Code of 1986 (as added by this section)
 16 which is made by the Secretary of Veterans Affairs after
 17 December 31, 1989, and before the date of the enactment
 18 of this Act, such paragraph—

19 (1) shall not apply with respect to any taxable
 20 year which began before December 31, 1989, and

21 (2) shall be applied by substituting “the date of
 22 the enactment of the Disabled Veterans Tax Fair-
 23 ness Act of 2006” for “the date of such determina-
 24 tion” in subparagraph (A) thereof.

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