

109TH CONGRESS
1ST SESSION

S. 460

To expand and enhance benefits for members of the Armed Forces and their families, and for other purposes.

IN THE SENATE OF THE UNITED STATES

FEBRUARY 18, 2005

Mr. KERRY introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To expand and enhance benefits for members of the Armed Forces and their families, 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; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Strengthening America’s Armed Forces and Military
6 Family Bill of Rights Act”.

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

Sec. 1. Short title; table of contents.

Sec. 2. Findings.

TITLE I—ARMED FORCES MATTERS

- Sec. 101. Increase in end strength of the Army.
 Sec. 102. Increase in end strength of the Marine Corps.

TITLE II—BENEFITS FOR MEMBERS OF NATIONAL GUARD AND RESERVE

Subtitle A—Health Care Benefits

- Sec. 201. TRICARE coverage for members of the Ready Reserve.
 Sec. 202. Allowance for continuation of non-TRICARE health benefits coverage for certain mobilized reserves.

Subtitle B—Small Business Mobilization Assistance

- Sec. 211. Short title.
 Sec. 212. Purpose.
 Sec. 213. National Guard and Reserve business assistance.
 Sec. 214. Veteran entrepreneur loans.
 Sec. 215. Grant assistance for military reservists' small businesses.

Subtitle C—Other Mobilization Assistance and Benefits

- Sec. 221. Credit for income differential for employment of activated military reservist and replacement personnel.

TITLE III—MILITARY FAMILY BENEFITS

- Sec. 301. Designation of overpayments to support military families.
 Sec. 302. Penalty-free withdrawals from retirement plans for individuals called to certain active duty.

TITLE IV—DEATH GRATUITY AND OTHER SURVIVOR BENEFITS

- Sec. 401. Increased amount of death gratuity.
 Sec. 402. Death gratuity excludable from Federal income taxation.
 Sec. 403. Extension of period of temporary continuation of basic allowance for housing for dependents of members of the Armed Forces who die on active duty.

TITLE V—VETERANS BENEFITS

- Sec. 501. Post-traumatic stress disorder treatment for veterans of service in Afghanistan and Iraq and the war on terror.

TITLE VI—REVENUE PROVISION

- Sec. 601. Partial repeal of rate reduction in the highest income tax bracket.

1 **SEC. 2. FINDINGS.**

2 Congress makes the following findings:

- 3 (1) Nearly 150,000 members of the Armed
 4 Forces are engaged in the war in Iraq.

1 (2) More than 15,000 members of the Armed
2 Forces are in Afghanistan fighting al Qaeda and
3 Taliban remnants.

4 (3) Several thousand members of the Armed
5 Forces are deployed in the Balkans.

6 (4) Thousands of other members of the Armed
7 Forces are engaged in critical missions around the
8 world to keep the Nation secure.

9 (5) More than 180,000 members of the Na-
10 tional Guard and Reserves are mobilized and de-
11 ployed around the world to help keep the Nation se-
12 cure.

13 (6) Each member of the Armed Forces is sup-
14 ported by a network of families and loved ones who
15 sacrifice in their own right for the Nation.

16 (7) Military families are partners with members
17 of the Armed Forces in the defense and security of
18 the Nation.

19 **TITLE I—ARMED FORCES** 20 **MATTERS**

21 **SEC. 101. INCREASE IN END STRENGTH OF THE ARMY.**

22 (a) STRENGTH FOR FISCAL YEAR 2006.—Effective
23 on October 1, 2005, section 691(b)(1) of title 10, United
24 States Code, is amended by striking “502,400” and in-
25 serting “522,400”.

1 (b) STRENGTH FOR FISCAL YEARS AFTER FISCAL
 2 YEAR 2006.—Effective on October 1, 2006, section
 3 691(b)(1) of such title is amended by striking “522,400”
 4 and inserting “532,400”.

5 **SEC. 102. INCREASE IN END STRENGTH OF THE MARINE**
 6 **CORPS.**

7 (a) STRENGTH FOR FISCAL YEAR 2006.—Effective
 8 on October 1, 2005, section 691(b)(3) of title 10, United
 9 States Code, is amended by striking “178,000” and in-
 10 serting “183,000”.

11 (b) STRENGTH FOR FISCAL YEARS AFTER FISCAL
 12 YEAR 2006.—Effective on October 1, 2006, section
 13 691(b)(3) of title 10, United States Code, is amended by
 14 striking “183,000” and inserting “188,000”.

15 **TITLE II—BENEFITS FOR MEM-**
 16 **BERS OF NATIONAL GUARD**
 17 **AND RESERVE**

18 **Subtitle A—Health Care Benefits**

19 **SEC. 201. TRICARE COVERAGE FOR MEMBERS OF THE**
 20 **READY RESERVE.**

21 (a) ELIGIBILITY.—Section 1076b of title 10, United
 22 States Code, is amended to read as follows:

1 **“§ 1076b. TRICARE program: coverage for members**
2 **of the Ready Reserve**

3 “(a) ELIGIBILITY.—Members of the Selected Reserve
4 of the Ready Reserve of a reserve component of the armed
5 forces and members of the Individual Ready Reserve de-
6 scribed in subsection 10144(b) of this title are eligible,
7 subject to subsection (h)(1), to enroll in the following
8 TRICARE program options:

9 “(1) TRICARE Prime.

10 “(2) TRICARE Standard.

11 “(b) TYPES OF COVERAGE.—(1) A member eligible
12 under subsection (a) may enroll for either of the following
13 types of coverage:

14 “(A) Self alone coverage.

15 “(B) Self and family coverage.

16 “(2) An enrollment by a member for self and family
17 covers the member and the dependents of the member who
18 are described in subparagraph (A), (D), or (I) of section
19 1072(2) of this title.

20 “(c) OPEN ENROLLMENT PERIODS.—The Secretary
21 of Defense shall provide for at least one open enrollment
22 period each year. During an open enrollment period, a
23 member eligible under subsection (a) may enroll in the
24 TRICARE program or change or terminate an enrollment
25 in the TRICARE program.

1 “(d) SCOPE OF CARE.—(1) A member and the de-
2 pendants of a member enrolled in the TRICARE program
3 under this section shall be entitled to the same benefits
4 under this chapter as a member of the uniformed services
5 on active duty or a dependent of such a member, respec-
6 tively.

7 “(2) Section 1074(c) of this title shall apply with re-
8 spect to a member enrolled in the TRICARE program
9 under this section.

10 “(e) PREMIUMS.—(1) The Secretary of Defense shall
11 charge premiums for coverage pursuant to enrollments
12 under this section. The Secretary shall prescribe for each
13 of the TRICARE program options referred to in sub-
14 section (a) a premium for self alone coverage and a pre-
15 mium for self and family coverage.

16 “(2) The monthly amount of the premium in effect
17 for a month for a type of coverage under this section shall
18 be the amount equal to 28 percent of the total amount
19 determined by the Secretary on an appropriate actuarial
20 basis as being reasonable for the coverage.

21 “(3) The premiums payable by a member under this
22 subsection may be deducted and withheld from basic pay
23 payable to the member under section 204 of title 37 or
24 from compensation payable to the member under section
25 206 of such title. The Secretary shall prescribe the re-

1 requirements and procedures applicable to the payment of
2 premiums by members not entitled to such basic pay or
3 compensation.

4 “(4) Amounts collected as premiums under this sub-
5 section shall be credited to the appropriation available for
6 the Defense Health Program Account under section 1100
7 of this title, shall be merged with sums in such Account
8 that are available for the fiscal year in which collected,
9 and shall be available under subsection (b) of such section
10 for such fiscal year.

11 “(f) OTHER CHARGES.—A person who receives
12 health care pursuant to an enrollment in a TRICARE pro-
13 gram option under this section, including a member who
14 receives such health care, shall be subject to the same
15 deductibles, copayments, and other nonpremium charges
16 for health care as apply under this chapter for health care
17 provided under the same TRICARE program option to de-
18 pendents described in subparagraph (A), (D), or (I) of sec-
19 tion 1072(2) of this title.

20 “(g) TERMINATION OF ENROLLMENT.—(1) A mem-
21 ber enrolled in the TRICARE program under this section
22 may terminate the enrollment only during an open enroll-
23 ment period provided under subsection (c), except as pro-
24 vided in subsection (h)(2).

1 “(2) An enrollment of a member for self alone or for
 2 self and family under this section shall terminate on the
 3 first day of the first month beginning after the date on
 4 which the member ceases to be eligible under subsection
 5 (a).

6 “(3) The enrollment of a member under this section
 7 may be terminated on the basis of failure to pay the pre-
 8 mium charged the member under this section.

9 “(h) RELATIONSHIP TO TRANSITION TRICARE COV-
 10 ERAGE UPON SEPARATION FROM ACTIVE DUTY.—(1) A
 11 member may not enroll in the TRICARE program under
 12 this section while entitled to transitional health care under
 13 subsection (a) of section 1145 of this title or while author-
 14 ized to receive health care under subsection (c) of such
 15 section.

16 “(2) A member who enrolls in the TRICARE pro-
 17 gram under this section within 90 days after the date of
 18 the termination of the member’s entitlement or eligibility
 19 to receive health care under subsection (a) or (c) of section
 20 1145 of this title may terminate the enrollment at any
 21 time within one year after the date of the enrollment.

22 “(i) REGULATIONS.—The Secretary of Defense, in
 23 consultation with the other administering Secretaries,
 24 shall prescribe regulations for the administration of this
 25 section.”.

1 (b) DEFINITIONS.—

2 (1) TRICARE OPTIONS.—Section 1072 of title
3 10, United States Code, is amended by adding at
4 the end the following new paragraphs:

5 “(10) The term ‘TRICARE Prime’ means the
6 managed care option of the TRICARE program.

7 “(11) The term ‘TRICARE Standard’ means
8 the Civilian Health and Medical Program of the
9 Uniformed Services option under the TRICARE pro-
10 gram.”.

11 (2) CONFORMING AMENDMENTS.—

12 (A) Section 1076d(f) of such title is
13 amended—

14 (i) by striking “(f) DEFINITIONS.—”
15 and all that follows through “(1) The” and
16 inserting “(f) IMMEDIATE FAMILY DE-
17 FINED.—In this section, the”; and

18 (ii) by striking paragraph (2).

19 (B) Section 1097a(f) of such title is
20 amended by striking “DEFINITIONS.—In this
21 section:” and all that follows through “(2) The
22 term” and inserting “CATCHMENT AREA DE-
23 FINED.—In this section, the term”.

24 (c) PERIOD FOR IMPLEMENTATION.—Section 1076b
25 of title 10, United States Code (as added by subsection

1 (a)), shall apply with respect to months that begin on or
 2 after the date that is 180 days after the date of the enact-
 3 ment of this Act.

4 (d) COORDINATION WITH OVERLAPPING AUTHOR-
 5 ITY.—

6 (1) REPEAL.—Effective one year after the date
 7 of the enactment of this Act—

8 (A) section 1076d of title 10, United
 9 States Code, is repealed; and

10 (B) the table of sections at the beginning
 11 of chapter 55 of such title is amended by strik-
 12 ing the item relating to section 1076d.

13 (2) TRANSITION COVERAGE.—The Secretary of
 14 Defense shall provide for an orderly transition to
 15 TRICARE coverage under section 1076b of title 10,
 16 United States Code (as amended by subsection (a)),
 17 for persons enrolled for TRICARE coverage under
 18 section 1076d of such title before the repeal of such
 19 section takes effect under paragraph (1)(A).

20 **SEC. 202. ALLOWANCE FOR CONTINUATION OF NON-**
 21 **TRICARE HEALTH BENEFITS COVERAGE FOR**
 22 **CERTAIN MOBILIZED RESERVES.**

23 (a) PAYMENT OF PREMIUMS.—

24 (1) REQUIREMENT TO PAY PREMIUMS.—Chap-
 25 ter 55 of title 10, United States Code, is amended

1 by inserting after section 1078a the following new
2 section:

3 **“§ 1078b. Continuation of non-TRICARE health bene-**
4 **fits plan coverage for certain Reserves**
5 **called or ordered to active duty and their**
6 **dependents**

7 “(a) PAYMENT OF PREMIUMS.—The Secretary con-
8 cerned shall pay the applicable premium to continue in
9 force any qualified health benefits plan coverage for an
10 eligible reserve component member for the benefits cov-
11 erage continuation period if timely elected by the member
12 in accordance with regulations prescribed under sub-
13 section (j).

14 “(b) ELIGIBLE MEMBER.—A member of a reserve
15 component is eligible for payment of the applicable pre-
16 mium for continuation of qualified health benefits plan
17 coverage under subsection (a) while serving on active duty
18 pursuant to a call or order issued under a provision of
19 law referred to in section 101(a)(13)(B) of this title dur-
20 ing a war or national emergency declared by the President
21 or Congress.

22 “(c) QUALIFIED HEALTH BENEFITS PLAN COV-
23 ERAGE.—For the purposes of this section, health benefits
24 plan coverage for a member called or ordered to active
25 duty is qualified health benefits plan coverage if—

1 “(1) the coverage was in force on the date on
 2 which the Secretary notified the member that
 3 issuance of the call or order was pending or, if no
 4 such notification was provided, the date of the call
 5 or order;

6 “(2) on such date, the coverage applied to the
 7 member and dependents of the member described in
 8 subparagraph (A), (D), or (I) of section 1072(2) of
 9 this title; and

10 “(3) the coverage has not lapsed.

11 “(d) APPLICABLE PREMIUM.—The applicable pre-
 12 mium payable under this section for continuation of health
 13 benefits plan coverage in the case of a member is the
 14 amount of the premium payable by the member for the
 15 coverage of the member and dependents.

16 “(e) MAXIMUM AMOUNT.—The total amount that
 17 may be paid for the applicable premium of a health bene-
 18 fits plan for a member under this section in a fiscal year
 19 may not exceed the amount determined by multiplying—

20 “(1) the sum of one plus the number of the
 21 member’s dependents covered by the health benefits
 22 plan, by

23 “(2) the per capita cost of providing TRICARE
 24 coverage and benefits for dependents under this

1 chapter for such fiscal year, as determined by the
 2 Secretary of Defense.

3 “(f) BENEFITS COVERAGE CONTINUATION PE-
 4 RIOD.—The benefits coverage continuation period under
 5 this section for qualified health benefits plan coverage in
 6 the case of a member called or ordered to active duty is
 7 the period that—

8 “(1) begins on the date of the call or order; and

9 “(2) ends on the earlier of the date on which—

10 “(A) the member’s eligibility for transi-
 11 tional health care under section 1145(a) of this
 12 title terminates under paragraph (3) of such
 13 section; or

14 “(B) the member elects to terminate the
 15 continued qualified health benefits plan cov-
 16 erage of the dependents of the member.

17 “(g) EXTENSION OF PERIOD OF COBRA COV-
 18 ERAGE.—Notwithstanding any other provision of law—

19 “(1) any period of coverage under a COBRA
 20 continuation provision (as defined in section
 21 9832(d)(1) of the Internal Revenue Code of 1986)
 22 for a member under this section shall be deemed to
 23 be equal to the benefits coverage continuation period
 24 for such member under this section; and

1 “(2) with respect to the election of any period
 2 of coverage under a COBRA continuation provision
 3 (as so defined), rules similar to the rules under sec-
 4 tion 4980B(f)(5)(C) of such Code shall apply.

5 “(h) NONDUPLICATION OF BENEFITS.—A dependent
 6 of a member who is eligible for benefits under qualified
 7 health benefits plan coverage paid on behalf of a member
 8 by the Secretary concerned under this section is not eligi-
 9 ble for benefits under the TRICARE program during a
 10 period of the coverage for which so paid.

11 “(i) REVOCABILITY OF ELECTION.—A member who
 12 makes an election under subsection (a) may revoke the
 13 election. Upon such a revocation, the member’s depend-
 14 ents shall become eligible for benefits under the
 15 TRICARE program as provided for under this chapter.

16 “(j) REGULATIONS.—The Secretary of Defense shall
 17 prescribe regulations for carrying out this section. The
 18 regulations shall include such requirements for making an
 19 election of payment of applicable premiums as the Sec-
 20 retary considers appropriate.”.

21 (2) CLERICAL AMENDMENT.—The table of sec-
 22 tions at the beginning of such chapter is amended
 23 by inserting after the item relating to section 1078a
 24 the following new item:

“1078b. Continuation of non-TRICARE health benefits plan coverage for cer-
 tain Reserves called or ordered to active duty and their depend-
 ents.”.

1 (b) APPLICABILITY.—Section 1078b of title 10,
 2 United States Code (as added by subsection (a)), shall
 3 apply with respect to calls or orders of members of reserve
 4 components of the Armed Forces to active duty as de-
 5 scribed in subsection (b) of such section, that are issued
 6 by the Secretary of a military department on or after the
 7 date of the enactment of this Act.

8 **Subtitle B—Small Business**

9 **Mobilization Assistance**

10 **SEC. 211. SHORT TITLE.**

11 This subtitle may be cited as the “National Reservist
 12 Enterprise Transition and Sustainability Act of 2005”.

13 **SEC. 212. PURPOSE.**

14 The purpose of this subtitle is to establish a program
 15 to—

16 (1) provide managerial, financial, planning, de-
 17 velopment, technical, and regulatory assistance to
 18 small business concerns owned and operated by
 19 members of the National Guard and Reserve;

20 (2) provide managerial, financial, planning, de-
 21 velopment, technical, and regulatory assistance to
 22 the temporary heads of small business concerns
 23 owned and operated by members of the National
 24 Guard and Reserve;

1 (3) create a partnership between the Small
2 Business Administration, the Department of De-
3 fense, and the Department of Veterans Affairs to as-
4 sist small business concerns owned and operated by
5 members of the National Guard and Reserve;

6 (4) utilize the service delivery network of Small
7 Business Development Centers to expand the access
8 of small business concerns owned and operated by
9 members of the National Guard and Reserve to pro-
10 grams providing business management, development,
11 financial, procurement, technical, regulatory, and
12 marketing assistance;

13 (5) utilize the service delivery network of Small
14 Business Development Centers to quickly respond to
15 an activation of members of the National Guard and
16 Reserve that own and operate small business con-
17 cerns; and

18 (6) utilize the service delivery network of Small
19 Business Development Centers to assist members of
20 the National Guard and Reserve that own and oper-
21 ate small business concerns in preparing for future
22 military activations.

1 **SEC. 213. NATIONAL GUARD AND RESERVE BUSINESS AS-**
2 **SISTANCE.**

3 (a) IN GENERAL.—Section 21(a)(1) of the Small
4 Business Act (15 U.S.C. 648(a)(1)) is amended by adding
5 “any Small Business Development Center providing enter-
6 prise transition and sustainability assistance to members
7 of the National Guard or Reserve under section 37,” after
8 “any women’s business center operating pursuant to sec-
9 tion 29,”.

10 (b) PROGRAM.—The Small Business Act (15 U.S.C.
11 631 et seq.) is amended

12 (1) by redesignating section 37 (15 U.S.C. 631
13 note) as section 38; and

14 (2) by inserting after section 36 the following:

15 **“SEC. 37. NATIONAL GUARD AND RESERVE ENTERPRISE**
16 **TRANSITION AND SUSTAINABILITY.**

17 “(a) IN GENERAL.—The Administrator shall estab-
18 lish a program to provide business planning assistance to
19 small business concerns owned and operated by members
20 of the National Guard and Reserve.

21 “(b) DEFINITIONS.—In this section—

22 “(1) the terms ‘activated’ and ‘activation’ mean
23 having received an order placing a member of the
24 National Guard and Reserve on active duty, as de-
25 fined by section 101(1) of title 10, United States
26 Code;

1 “(2) the term ‘Administrator’ means the Ad-
 2 ministrator of the Small Business Administration,
 3 acting through the Associate Administrator for
 4 Small Business Development Centers;

5 “(3) the term ‘Association’ means the associa-
 6 tion established pursuant to section 21(a)(3)(A);

7 “(4) the term ‘enterprise transition and sus-
 8 tainability assistance’ means assistance provided by
 9 a Small Business Development Center to a small
 10 business concern owned and operated by a member
 11 of the National Guard and Reserve, who has been
 12 activated or is likely to be activated in the next 12
 13 months, to develop and implement a business strat-
 14 egy for the period while the owner is on active duty
 15 and six months following the return of the owner;

16 “(5) the term ‘member of the National Guard
 17 and Reserve’ means any person who is currently—

18 “(A) a member of a reserve component of
 19 the armed forces, as defined by section 10101
 20 of title 10, United States Code; and

21 “(B) on active status, as defined by section
 22 101(d)(4) of title 10, United States Code;

23 “(6) the term ‘Small Business Development
 24 Center’ means a small business development center

1 as described in section 21 of the Small Business Act
2 (15 U.S.C. 648); and

3 “(7) the term ‘State’ means each of the several
4 States of the United States, the District of Colum-
5 bia, the Commonwealth of Puerto Rico, the Virgin
6 Islands, American Samoa, and Guam.

7 “(c) AUTHORITY.—The Administrator may award
8 grants, in accordance with the regulations developed pur-
9 suant to subsection (d), to eligible Small Business Devel-
10 opment Centers to assist small business concerns owned
11 and operated by members of the National Guard and Re-
12 serve by—

13 “(1) providing management, development, fi-
14 nancing, procurement, technical, regulatory, and
15 marketing assistance;

16 “(2) providing access to information and re-
17 sources, including current Federal and State busi-
18 ness assistance programs;

19 “(3) distributing contact information provided
20 by the Department of Defense regarding activated
21 members of the National Guard and Reserve to cor-
22 responding State directors;

23 “(4) offering free, one-on-one, in-depth coun-
24 seling regarding management, development, financ-
25 ing, procurement, regulations, and marketing;

1 “(5) assisting in developing a long-term plan
2 for possible future activation; and

3 “(6) providing enterprise transition and sus-
4 tainability assistance.

5 “(d) RULEMAKING.—

6 “(1) IN GENERAL.—The Administrator, in con-
7 sultation with the Association and after notice and
8 an opportunity for comment, shall promulgate regu-
9 lations to carry out the provisions of this section.

10 “(2) DEADLINE.—The Administrator shall pro-
11 mulgate final regulations not later than 180 days of
12 the date of enactment of the National Reservist En-
13 terprise Transition and Sustainability Act of 2005.

14 “(3) CONTENTS.—The regulations developed by
15 the Administrator under this subsection shall estab-
16 lish—

17 “(A) procedures for identifying, in con-
18 sultation with the Department of Defense,
19 States that have had a recent activation of
20 members of the National Guard and Reserve;

21 “(B) priorities for the types of assistance
22 to be provided under the program authorized by
23 this section;

1 “(C) standards relating to educational,
2 technical, and support services to be provided
3 by a grantee;

4 “(D) standards relating to any national
5 service delivery and support function to be pro-
6 vided by a grantee;

7 “(E) standards relating to any work plan
8 that the Administrator may require a grantee
9 to develop; and

10 “(F) standards relating to the educational,
11 technical, and professional competency of any
12 expert or other assistance provider to whom a
13 small business concern may be referred for as-
14 sistance by a grantee.

15 “(e) APPLICATION.—

16 “(1) IN GENERAL.—Each eligible Small Busi-
17 ness Development Center desiring a grant under this
18 section shall submit an application to the Adminis-
19 trator at such time, in such manner, and accom-
20 panied by such information as the Administrator
21 may reasonably require.

22 “(2) CONTENTS.—Each application submitted
23 pursuant to paragraph (1) shall describe—

24 “(A) the activities for which the applicant
25 seeks assistance under this section; and

1 “(B) how the applicant plans to allocate
2 funds within its network.

3 “(3) MATCHING NOT REQUIRED.—Subpara-
4 graphs (A) and (B) of section 21(a)(4), requiring
5 matching funds, shall not apply to grants awarded
6 under this section.

7 “(4) ELIGIBILITY.—A Small Business Develop-
8 ment Center is eligible to receive a grant under this
9 section if it is accredited under section 21(k).

10 “(f) AWARD OF GRANTS.—

11 “(1) DEADLINE.—The Administrator shall
12 award grants not later than 60 days after the pro-
13 mulgation of final rules and regulations under sub-
14 section (d).

15 “(2) AMOUNT.—Each Small Business Develop-
16 ment Center awarded a grant under this section
17 shall receive a grant in an amount—

18 “(A) not less than \$150,000 per fiscal
19 year; and

20 “(B) not greater than \$500,000 per fiscal
21 year.

22 “(g) REPORT.—

23 “(1) IN GENERAL.—The Government Account-
24 ability Office shall—

1 “(A) initiate an evaluation of the program
2 not later than 30 months after the disburse-
3 ment of the first grant under the program; and

4 “(B) submit a report not later than 6
5 months after the initiation of the evaluation
6 under paragraph (1) to—

7 “(i) the Administrator;

8 “(ii) the Committee on Small Busi-
9 ness and Entrepreneurship of the Senate;
10 and

11 “(iii) the Committee on Small Busi-
12 ness of the House of Representatives.

13 “(2) CONTENTS.—The report under paragraph
14 (1) shall—

15 “(A) address the results of the evaluation;
16 and

17 “(B) recommend changes to law, if any,
18 that it believes would be necessary or advisable
19 to achieve the goals of this section.

20 “(h) AUTHORIZATION OF APPROPRIATIONS.—

21 “(1) IN GENERAL.—There are authorized to be
22 appropriated to carry out this section—

23 “(A) \$5,000,000 for the first fiscal year
24 beginning after the date of enactment of the

1 National Reservist Enterprise Transition and
 2 Sustainability Act of 2005;

3 “(B) \$5,000,000 for each of the 3 fiscal
 4 years following the fiscal year described in sub-
 5 paragraph (A)

6 “(2) LIMITATION ON USE OF OTHER FUNDS.—
 7 The Administrator may carry out the program au-
 8 thorized by this section only with amounts appro-
 9 priated in advance specifically to carry out this sec-
 10 tion.”.

11 **SEC. 214. VETERAN ENTREPRENEUR LOANS.**

12 (a) AUTHORIZATION.—The first sentence of section
 13 7(a) of the Small Business Act (15 U.S.C. 636) is amend-
 14 ed by inserting “new veteran entrepreneurs under para-
 15 graph (32) and” after “loans to any qualified small busi-
 16 ness concern, including”;

17 (b) SPECIFICATIONS.—Section 7(a) of the Small
 18 Business Act (15 U.S.C. 636(a)) is amended by adding
 19 after paragraph 31 the following:

20 “(32) VETERAN ENTREPRENEUR LOANS.—Each
 21 loan to a new veteran entrepreneur under this sub-
 22 section shall—

23 “(A) be made directly to the new veteran
 24 entrepreneur;

25 “(B) not exceed \$100,000; and

1 “(C) be made at the same interest rate as
 2 loans made under the second proviso of the un-
 3 numbered paragraph of subsection (b).”.

4 (3) DEFINITIONS.—Section 3(q) of the Small
 5 Business Act (15 U.S.C. 632(q)) is amended by add-
 6 ing after paragraph (4) the following:

7 “(5) NEW VETERAN ENTREPRENEUR.—The
 8 term ‘new veteran entrepreneur’ means a person
 9 who—

10 “(A) is a veteran;

11 “(B) is establishing a new small business
 12 concern or established a new small business
 13 concern within the 6 month period preceding
 14 the request for a loan; and

15 “(C) does not own or control any other
 16 business.”.

17 **SEC. 215. GRANT ASSISTANCE FOR MILITARY RESERVISTS’**
 18 **SMALL BUSINESSES.**

19 (a) AUTHORIZATION OF GRANTS.—Section
 20 7(b)(3)(B) of the Small Business Act (15 U.S.C.
 21 636(b)(3)(B)) is amended by inserting “or grants” after
 22 “or a deferred basis”).

23 (b) GRANT SPECIFICATIONS.—Section 7(b)(3) of the
 24 Small Business Act (15 U.S.C. 636(b)(3)) is amended by
 25 inserting after subparagraph (F) the following:

1 “(G) Grants made under subparagraph (B)—

2 “(i) may be awarded in addition to any
3 loan made under subparagraph (B);

4 “(ii) shall not exceed \$25,000; and

5 “(iii) shall be made only to a small busi-
6 ness concern—

7 “(I) that provides a business plan
8 demonstrating viability for not less than 3
9 future years;

10 “(II) with 10 or fewer employees;

11 “(III) that has not received another
12 grant under subparagraph (B) in the pre-
13 vious 2 years.”.

14 (c) AUTHORIZATION OF APPROPRIATIONS.—Section
15 20(e)(2) of the Small Business Act (15 U.S.C. 631 note)
16 is amended by inserting after subparagraph (B) the fol-
17 lowing:

18 “(C) GRANT ASSISTANCE FOR MILITARY
19 RESERVISTS’ SMALL BUSINESSES.—There are
20 authorized to be appropriated for grants under
21 section 7(b)(3)(B)—

22 “(i) \$5,000,000 for the first fiscal
23 year beginning after the date of enactment
24 of the National Reservist Enterprise Tran-
25 sition and Sustainability Act of 2005; and

1 “(ii) \$5,000,000 for each of the 2 fis-
 2 cal years following the fiscal year described
 3 in clause (i).”.

4 **Subtitle C—Other Mobilization**
 5 **Assistance and Benefits**

6 **SEC. 221. CREDIT FOR INCOME DIFFERENTIAL FOR EM-**
 7 **PLOYMENT OF ACTIVATED MILITARY RE-**
 8 **SERVIST AND REPLACEMENT PERSONNEL.**

9 (a) IN GENERAL.—Subpart B of part IV of sub-
 10 chapter A of chapter 1 of the Internal Revenue Code of
 11 1986 (relating to foreign tax credit, etc.) is amended by
 12 adding at the end the following new section:

13 **“SEC. 30B. EMPLOYER WAGE CREDIT FOR ACTIVATED MILI-**
 14 **TARY RESERVISTS.**

15 “(a) GENERAL RULE.—There shall be allowed as a
 16 credit against the tax imposed by this chapter for the tax-
 17 able year an amount equal to the sum of—

18 “(1) in the case of a small business employer,
 19 the employment credit with respect to all qualified
 20 employees and qualified replacement employees of
 21 the taxpayer, plus

22 “(2) the self-employment credit of a qualified
 23 self-employed taxpayer.

24 “(b) EMPLOYMENT CREDIT.—For purposes of this
 25 section—

1 “(1) QUALIFIED EMPLOYEES.—

2 “(A) IN GENERAL.—The employment cred-
3 it with respect to a qualified employee of the
4 taxpayer for any taxable year is equal to 50
5 percent of the lesser of—

6 “(i) the excess, if any, of—

7 “(I) the qualified employee’s av-
8 erage daily qualified compensation for
9 the taxable year, over

10 “(II) the average daily military
11 pay and allowances received by the
12 qualified employee during the taxable
13 year, while participating in qualified
14 reserve component duty to the exclu-
15 sion of the qualified employee’s nor-
16 mal employment duties for the num-
17 ber of days the qualified employee
18 participates in qualified reserve com-
19 ponent duty during the taxable year,
20 including time spent in a travel sta-
21 tus, or

22 “(ii) \$30,000.

23 The employment credit, with respect to all
24 qualified employees, is equal to the sum of the

1 employment credits for each qualified employee
2 under this subsection.

3 “(B) AVERAGE DAILY QUALIFIED COM-
4 PENSATION AND AVERAGE DAILY MILITARY PAY
5 AND ALLOWANCES.—As used with respect to a
6 qualified employee—

7 “(i) the term ‘average daily qualified
8 compensation’ means the qualified com-
9 pensation of the qualified employee for the
10 taxable year divided by the difference be-
11 tween—

12 “(I) 365, and

13 “(II) the number of days the
14 qualified employee participates in
15 qualified reserve component duty dur-
16 ing the taxable year, including time
17 spent in a travel status, and

18 “(ii) the term ‘average daily military
19 pay and allowances’ means—

20 “(I) the amount paid to the
21 qualified employee during the taxable
22 year as military pay and allowances
23 on account of the qualified employee’s
24 participation in qualified reserve com-
25 ponent duty, divided by

1 “(II) the total number of days
2 the qualified employee participates in
3 qualified reserve component duty, in-
4 cluding time spent in travel status.

5 “(C) QUALIFIED COMPENSATION.—When
6 used with respect to the compensation paid or
7 that would have been paid to a qualified em-
8 ployee for any period during which the qualified
9 employee participates in qualified reserve com-
10 ponent duty, the term ‘qualified compensation’
11 means—

12 “(i) compensation which is normally
13 contingent on the qualified employee’s
14 presence for work and which would be de-
15 ductible from the taxpayer’s gross income
16 under section 162(a)(1) if the qualified
17 employee were present and receiving such
18 compensation,

19 “(ii) compensation which is not char-
20 acterized by the taxpayer as vacation or
21 holiday pay, or as sick leave or pay, or as
22 any other form of pay for a nonspecific
23 leave of absence, and with respect to which
24 the number of days the qualified employee
25 participates in qualified reserve component

1 duty does not result in any reduction in
 2 the amount of vacation time, sick leave, or
 3 other nonspecific leave previously credited
 4 to or earned by the qualified employee, and
 5 “(iii) group health plan costs (if any)
 6 with respect to the qualified employee.

7 “(D) QUALIFIED EMPLOYEE.—The term
 8 ‘qualified employee’ means a person who—

9 “(i) has been an employee of the tax-
 10 payer for the 91-day period immediately
 11 preceding the period during which the em-
 12 ployee participates in qualified reserve
 13 component duty, and

14 “(ii) is a member of the Ready Re-
 15 serve of a reserve component of an Armed
 16 Force of the United States as defined in
 17 sections 10142 and 10101 of title 10,
 18 United States Code.

19 “(2) QUALIFIED REPLACEMENT EMPLOYEES.—

20 “(A) IN GENERAL.—The employment cred-
 21 it with respect to a qualified replacement em-
 22 ployee of the taxpayer for any taxable year is
 23 equal to 50 percent of the lesser of—

1 “(i) the individual’s qualified com-
2 pensation attributable to service rendered
3 as a qualified replacement employee, or

4 “(ii) \$12,000.

5 The employment credit, with respect to all
6 qualified replacement employees, is equal to the
7 sum of the employment credits for each quali-
8 fied replacement employee under this sub-
9 section.

10 “(B) QUALIFIED COMPENSATION.—When
11 used with respect to the compensation paid to
12 a qualified replacement employee, the term
13 ‘qualified compensation’ means—

14 “(i) compensation which is normally
15 contingent on the qualified replacement
16 employee’s presence for work and which is
17 deductible from the taxpayer’s gross in-
18 come under section 162(a)(1),

19 “(ii) compensation which is not char-
20 acterized by the taxpayer as vacation or
21 holiday pay, or as sick leave or pay, or as
22 any other form of pay for a nonspecific
23 leave of absence, and

1 “(iii) group health plan costs (if any)
 2 with respect to the qualified replacement
 3 employee.

4 “(C) QUALIFIED REPLACEMENT EM-
 5 PLOYEE.—The term ‘qualified replacement em-
 6 ployee’ means an individual who is hired to re-
 7 place a qualified employee or a qualified self-
 8 employed taxpayer, but only with respect to the
 9 period during which such employee or taxpayer
 10 participates in qualified reserve component
 11 duty, including time spent in travel status.

12 “(c) SELF-EMPLOYMENT CREDIT.—For purposes of
 13 this section—

14 “(1) IN GENERAL.—The self-employment credit
 15 of a qualified self-employed taxpayer for any taxable
 16 year is equal to 50 percent of the lesser of—

17 “(A) the excess, if any, of—

18 “(i) the self-employed taxpayer’s aver-
 19 age daily self-employment income for the
 20 taxable year over

21 “(ii) the average daily military pay
 22 and allowances received by the taxpayer
 23 during the taxable year, while participating
 24 in qualified reserve component duty to the
 25 exclusion of the taxpayer’s normal self-em-

1 ployment duties for the number of days the
 2 taxpayer participates in qualified reserve
 3 component duty during the taxable year,
 4 including time spent in a travel status, or
 5 “(B) \$30,000.

6 “(2) AVERAGE DAILY SELF-EMPLOYMENT IN-
 7 COME AND AVERAGE DAILY MILITARY PAY AND AL-
 8 LOWANCES.—As used with respect to a self-em-
 9 ployed taxpayer—

10 “(A) the term ‘average daily self-employ-
 11 ment income’ means the self-employment in-
 12 come (as defined in section 1402(b)) of the tax-
 13 payer for the taxable year plus the amount paid
 14 for insurance which constitutes medical care for
 15 the taxpayer for such year (within the meaning
 16 of section 162(l)) divided by the difference be-
 17 tween—

18 “(i) 365, and

19 “(ii) the number of days the taxpayer
 20 participates in qualified reserve component
 21 duty during the taxable year, including
 22 time spent in a travel status, and

23 “(B) the term ‘average daily military pay
 24 and allowances’ means—

1 “(i) the amount paid to the taxpayer
 2 during the taxable year as military pay
 3 and allowances on account of the tax-
 4 payer’s participation in qualified reserve
 5 component duty, divided by

6 “(ii) the total number of days the tax-
 7 payer participates in qualified reserve com-
 8 ponent duty, including time spent in travel
 9 status.

10 “(3) QUALIFIED SELF-EMPLOYED TAXPAYER.—

11 The term ‘qualified self-employed taxpayer’ means a
 12 taxpayer who—

13 “(A) has net earnings from self-employ-
 14 ment (as defined in section 1402(a)) for the
 15 taxable year, and

16 “(B) is a member of the Ready Reserve of
 17 a reserve component of an Armed Force of the
 18 United States.

19 “(d) CREDIT IN ADDITION TO DEDUCTION.—The
 20 employment credit or the self-employment credit provided
 21 in this section is in addition to any deduction otherwise
 22 allowable with respect to compensation actually paid to a
 23 qualified employee, qualified replacement employee, or
 24 qualified self-employed taxpayer during any period the
 25 qualified employee or qualified self-employed taxpayer par-

1 ticipates in qualified reserve component duty to the exclu-
 2 sion of normal employment duties.

3 “(e) COORDINATION WITH OTHER CREDITS.—The
 4 amount of credit otherwise allowable under sections 51(a)
 5 and 1396(a) with respect to any employee shall be reduced
 6 by the credit allowed by this section with respect to such
 7 employee.

8 “(f) LIMITATIONS.—

9 “(1) APPLICATION WITH OTHER CREDITS.—
 10 The credit allowed under subsection (a) for any tax-
 11 able year shall not exceed the excess (if any) of—

12 “(A) the regular tax for the taxable year
 13 reduced by the sum of the credits allowable
 14 under subpart A and sections 27, 29, and 30,
 15 over

16 “(B) the tentative minimum tax for the
 17 taxable year.

18 “(2) DISALLOWANCE FOR FAILURE TO COMPLY
 19 WITH EMPLOYMENT OR REEMPLOYMENT RIGHTS OF
 20 MEMBERS OF THE RESERVE COMPONENTS OF THE
 21 ARMED FORCES OF THE UNITED STATES.—No credit
 22 shall be allowed under subsection (a) to a taxpayer
 23 for—

24 “(A) any taxable year, beginning after the
 25 date of the enactment of this section, in which

1 the taxpayer is under a final order, judgment,
 2 or other process issued or required by a district
 3 court of the United States under section 4323
 4 of title 38 of the United States Code with re-
 5 spect to a violation of chapter 43 of such title,
 6 and

7 “(B) the 2 succeeding taxable years.

8 “(3) DISALLOWANCE WITH RESPECT TO PER-
 9 SONS ORDERED TO ACTIVE DUTY FOR TRAINING.—
 10 No credit shall be allowed under subsection (a) to a
 11 taxpayer with respect to any period by taking into
 12 account any person who is called or ordered to active
 13 duty for any of the following types of duty:

14 “(A) Active duty for training under any
 15 provision of title 10, United States Code.

16 “(B) Training at encampments, maneu-
 17 vers, outdoor target practice, or other exercises
 18 under chapter 5 of title 32, United States Code.

19 “(C) Full-time National Guard duty, as
 20 defined in section 101(d)(5) of title 10, United
 21 States Code.

22 “(g) GENERAL DEFINITIONS AND SPECIAL RULES.—
 23 For purposes of this section—

24 “(1) SMALL BUSINESS EMPLOYER.—

1 “(A) IN GENERAL.—The term ‘small busi-
2 ness employer’ means, with respect to any tax-
3 able year, any employer who employed an aver-
4 age of 50 or fewer employees on business days
5 during such taxable year.

6 “(B) CONTROLLED GROUPS.—For pur-
7 poses of subparagraph (A), all persons treated
8 as a single employer under subsection (b), (c),
9 (m), or (o) of section 414 shall be treated as a
10 single employer.

11 “(2) MILITARY PAY AND ALLOWANCES.—The
12 term ‘military pay’ means pay as that term is de-
13 fined in section 101(21) of title 37, United States
14 Code, and the term ‘allowances’ means the allow-
15 ances payable to a member of the Armed Forces of
16 the United States under chapter 7 of that title.

17 “(3) QUALIFIED RESERVE COMPONENT
18 DUTY.—The term ‘qualified reserve component duty’
19 includes only active duty performed, as designated in
20 the reservist’s military orders, in support of a con-
21 tingency operation as defined in section 101(a)(13)
22 of title 10, United States Code.

23 “(4) SPECIAL RULES FOR CERTAIN MANUFAC-
24 TURERS.—

“(A) IN GENERAL.—In the case of any qualified manufacturer—

“(i) subsections (b)(1)(A)(ii) and (c)(1)(B) shall be applied by substituting ‘\$40,000’ for ‘\$30,000’,

“(ii) subsection (b)(2)(A)(ii) shall be applied by substituting ‘\$20,000’ for ‘\$12,000’, and

“(iii) paragraph (1)(A) of this subsection shall be applied by substituting ‘100’ for ‘50’.

“(B) QUALIFIED MANUFACTURER.—For purposes of this paragraph, the term ‘qualified manufacturer’ means any person if—

“(i) the primary business of such person is classified in sector 31, 32, or 33 of the North American Industrial Classification System, and

“(ii) all of such person’s facilities which are used for production in such business are located in the United States.

“(5) CARRYBACK AND CARRYFORWARD ALLOWED.—

“(A) IN GENERAL.—If the credit allowable under subsection (a) for a taxable year exceeds

the amount of the limitation under subsection (f)(1) for such taxable year (in this paragraph referred to as the ‘unused credit year’), such excess shall be a credit carryback to each of the 3 taxable years preceding the unused credit year and a credit carryforward to each of the 20 taxable years following the unused credit year.

“(B) RULES.—Rules similar to the rules of section 39 shall apply with respect to the credit carryback and credit carryforward under subparagraph (A).

“(6) CERTAIN RULES TO APPLY.—Rules similar to the rules of subsections (c), (d), and (e) of section 52 shall apply.”.

(b) CONFORMING AMENDMENT.—Section 55(c)(2) of the Internal Revenue Code of 1986 is amended by inserting “30B(f)(1),” after “30(b)(3),”.

(c) CLERICAL AMENDMENT.—The table of sections for subpart B of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 is amended by adding at the end of 30A the following new item:

“Sec. 30B. Employer wage credit for activated military reservists.”.

(d) EFFECTIVE DATE; SPECIAL RULE.—

(1) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts paid after

1 September 11, 2001, in taxable years ending after
2 such date.

3 (2) WAIVER OF LIMITATIONS.—If refund or
4 credit of any overpayment of tax resulting from the
5 amendments made by this section is prevented at
6 any time before the close of the 1-year period begin-
7 ning on the date of the enactment of this Act by the
8 operation of any law or rule of law (including res ju-
9 dicata), such refund or credit may nevertheless be
10 made or allowed if claim therefor is filed before the
11 close of such period.

12 **TITLE III—MILITARY FAMILY** 13 **BENEFITS**

14 **SEC. 301. DESIGNATION OF OVERPAYMENTS TO SUPPORT** 15 **MILITARY FAMILIES.**

16 (a) DESIGNATION.—

17 (1) IN GENERAL.—Subchapter A of chapter 61
18 of the Internal Revenue Code of 1986 is amended by
19 adding at the end the following new part:

20 **“PART IX—DESIGNATION OF OVERPAYMENTS TO** 21 **SUPPORT MILITARY FAMILIES**

“Sec. 6097. Designation.

22 **“SEC. 6097. DESIGNATION.**

23 “(a) IN GENERAL.—In the case of an individual, with
24 respect to each taxpayer’s return for the taxable year of

1 the tax imposed by chapter 1, such taxpayer may des-
2 ignate that—

3 “(1) a specified portion (not less than \$1 and
4 in whole dollars) of any overpayment of tax for such
5 taxable year, and

6 “(2) any contribution (not less than \$1 and in
7 whole dollars) which the taxpayer forwards in money
8 with such return,

9 be paid over to the American Military Family Relief Fund.

10 “(b) MANNER AND TIME OF DESIGNATION.—A des-
11 ignation under subsection (a) may be made with respect
12 to any taxable year only at the time of filing the return
13 of the tax imposed by chapter 1 for such taxable year.
14 Such designation shall be made in such manner as the
15 Secretary prescribes by regulations except that such des-
16 ignation shall be made either on the first page of the re-
17 turn or on the page bearing the taxpayer’s signature.

18 “(c) OVERPAYMENTS TREATED AS REFUNDED.—For
19 purposes of this title, any portion of an overpayment of
20 tax designated under subsection (a)(1) shall be treated
21 as—

22 “(1) being refunded to the taxpayer as of the
23 last date prescribed for filing the return of tax im-
24 posed by chapter 1 (determined without regard to

1 extensions) or, if later, the date the return is filed,
 2 and

3 “(2) a contribution made by such taxpayer on
 4 such date to the United States.

5 “(d) TERMINATION.—This section shall not apply to
 6 designations made after December 31, 2009.”.

7 (2) TRANSFERS TO AMERICAN MILITARY FAM-
 8 ILY RELIEF FUND.—The Secretary of the Treasury
 9 shall, from time to time, transfer to the American
 10 Military Family Relief Fund the amounts designated
 11 under section 6097 of the Internal Revenue Code of
 12 1986.

13 (3) CLERICAL AMENDMENT.—The table of
 14 parts for subchapter A of chapter 61 of the Internal
 15 Revenue Code of 1986 is amended by adding at the
 16 end the following new item:

“Part IX. Designation of overpayments to support military fami-
 lies.”.

17 (b) AMERICAN MILITARY FAMILY RELIEF FUND.—

18 (1) IN GENERAL.—Subchapter A of chapter 98
 19 of the Internal Revenue Code of 1986 (relating to
 20 trust fund code) is amended by adding at the end
 21 the following new section:

22 **“SEC. 9511. AMERICAN MILITARY FAMILY RELIEF FUND.**

23 “(a) ESTABLISHMENT.—There is established in the
 24 Treasury of the United States a trust fund to be known

1 as the ‘American Military Family Relief Fund’, consisting
2 of such amounts as may be appropriated or credited to
3 such Fund as provided in this section or section 9602(b).

4 “(b) TRANSFERS TO FUND.—There are hereby ap-
5 propriated to the American Military Family Relief Fund
6 amounts equivalent to the amounts designated under sec-
7 tion 6097.

8 “(c) EXPENDITURES.—

9 “(1) IN GENERAL.—Amounts in the American
10 Military Family Relief Fund shall be available to the
11 Secretary of Defense for making distributions to, or
12 for the benefit of, individuals and family members of
13 individuals who serve, or have served, in the Armed
14 Forces of the United States for needs not met by
15 other laws or programs, including costs and unmet
16 needs associated with deployments, injury, or death.

17 “(2) CRITERIA FOR DISTRIBUTIONS.—

18 “(A) IN GENERAL.—The Secretary of De-
19 fense, after consultation with appropriate mili-
20 tary and veterans organizations, shall establish
21 criteria for the distribution of amounts in the
22 American Military Family Relief Fund.

23 “(B) DISTRIBUTIONS TO CERTAIN ORGANI-
24 ZATIONS.—Such distributions may be made to
25 organizations serving individuals and family

1 members described in paragraph (1). Not more
 2 than 5 percent of any distribution to such an
 3 organization may be used for overhead or indi-
 4 rect costs.

5 “(d) REPORTS.—Not later than December 1 (begin-
 6 ning in 2005)—

7 “(1) the Secretary of the Treasury shall report
 8 to Congress the amount of contributions designated
 9 to the American Military Family Relief Fund in the
 10 preceding fiscal year, and

11 “(2) the Secretary of Defense shall report to
 12 Congress on the administration, distribution, and
 13 use of funds from the American Military Family Re-
 14 lief Fund in the preceding fiscal year.”.

15 (2) CLERICAL AMENDMENT.—The table of sec-
 16 tions for such subchapter is amended by adding at
 17 the end the following new item:

 “Sec. 9511. American Military Family Relief Fund.”.

18 (c) EFFECTIVE DATES.—

19 (1) SUBSECTION (a).—The amendments made
 20 by subsection (a) shall apply to taxable years begin-
 21 ning after December 31, 2004.

22 (2) SUBSECTION (b).—The amendments made
 23 by subsection (b) shall take effect on the date of the
 24 enactment of this Act.

1 **SEC. 302. PENALTY-FREE WITHDRAWALS FROM RETIRE-**
 2 **MENT PLANS FOR INDIVIDUALS CALLED TO**
 3 **CERTAIN ACTIVE DUTY.**

4 (a) IN GENERAL.—Paragraph (2) of section 72(t) of
 5 the Internal Revenue Code of 1986 (relating to 10-percent
 6 additional tax on early distributions from qualified retire-
 7 ment plans) is amended by adding at the end the following
 8 new subparagraph:

9 “(G) DISTRIBUTIONS FROM RETIREMENT
 10 PLANS TO INDIVIDUALS CALLED TO CERTAIN
 11 ACTIVE DUTY.—

12 “(i) IN GENERAL.—Any qualified ac-
 13 tive duty distribution.

14 “(ii) QUALIFIED ACTIVE DUTY DIS-
 15 TRIBUTION.—For purposes of this sub-
 16 paragraph, the term ‘qualified active duty
 17 distribution’ means any distribution to a
 18 covered member of the Armed Forces if—

19 “(I) such distribution is from any
 20 qualified retirement plan (as defined
 21 in section 4974(c)), and

22 “(II) such distribution is made
 23 during the period of the assignment to
 24 temporary duty described in clause
 25 (iii)(I) or the period of the order or

1 call to active duty described in clause
2 (iii)(II).

3 “(iii) COVERED MEMBER OF THE
4 ARMED FORCES.—For purposes of this
5 subparagraph, the term ‘covered member
6 of the Armed Forces’ means an individual
7 who—

8 “(I) by reason of being a regular
9 member of the Armed Forces of the
10 United States is assigned to tem-
11 porary duty at a location other than
12 the member’s permanent duty station
13 for a period in excess of 90 days, or

14 “(II) by reason of being a mem-
15 ber of a reserve component (as de-
16 fined in section 101 of title 37,
17 United States Code) is ordered or
18 called to active duty for a period in
19 excess of 179 days or for an indefinite
20 period.

21 “(iv) APPLICATION OF SUBPARA-
22 GRAPH.—This subparagraph applies to in-
23 dividuals assigned to temporary duty or or-
24 dered or called to active duty after Sep-
25 tember 11, 2001.”.

1 (b) EFFECTIVE DATE.—The amendment made by
 2 subsection (a) shall apply to distributions after September
 3 11, 2001.

4 **TITLE IV—DEATH GRATUITY**
 5 **AND OTHER SURVIVOR BENE-**
 6 **FITS**

7 **SEC. 401. INCREASED AMOUNT OF DEATH GRATUITY.**

8 (a) AMOUNT OF DEATH GRATUITY.—Section
 9 1478(a) of title 10, United States Code, is amended by
 10 striking “\$12,000” in the first sentence and inserting
 11 “\$250,000”.

12 (b) EFFECTIVE DATE.—The amendment made by
 13 subsection (a) shall take effect as of September 11, 2001,
 14 and shall apply with respect to deaths occurring on or
 15 after that date.

16 **SEC. 402. DEATH GRATUITY EXCLUDABLE FROM FEDERAL**
 17 **INCOME TAXATION.**

18 (a) IN GENERAL.—Paragraph (1) of section 134(b)
 19 of the Internal Revenue Code of 1986 (relating to certain
 20 military benefits) is amended by adding at the end the
 21 following new flush sentence:

22 “Such term shall include any death gratuity to
 23 which the limitation in section 1478(a) of title 10,
 24 United States Code, applies.”.

1 (b) EFFECTIVE DATE.—The amendment made by
 2 subsection (a) shall apply to amounts paid with respect
 3 to deaths occurring on or after September 11, 2001.

4 **SEC. 403. EXTENSION OF PERIOD OF TEMPORARY CON-**
 5 **TINUATION OF BASIC ALLOWANCE FOR**
 6 **HOUSING FOR DEPENDENTS OF MEMBERS OF**
 7 **THE ARMED FORCES WHO DIE ON ACTIVE**
 8 **DUTY.**

9 Section 403(l) of title 37, United States Code, is
 10 amended by striking “180 days” each place it appears and
 11 inserting “365 days”.

12 **TITLE V—VETERANS BENEFITS**

13 **SEC. 501. POST-TRAUMATIC STRESS DISORDER TREAT-**
 14 **MENT FOR VETERANS OF SERVICE IN AF-**
 15 **GHANISTAN AND IRAQ AND THE WAR ON TER-**
 16 **ROR.**

17 (a) ENHANCED CAPACITY FOR DEPARTMENT OF
 18 VETERANS AFFAIRS.—Using funds available to the Sec-
 19 retary of Veterans Affairs for fiscal year 2006 for “Med-
 20 ical Care”, the Secretary shall employ at least one psychia-
 21 trist and a complementary clinical team at each medical
 22 center of the Department of Veterans Affairs in order to
 23 conduct a specialized program for the diagnosis and treat-
 24 ment of post-traumatic stress disorder and to employ addi-

1 tional mental health services specialists at the medical cen-
 2 ter.

3 (b) OUTREACH AT THE COMMUNITY LEVEL.—

4 (1) PROGRAM.—The Secretary of Veterans Af-
 5 fairs shall, within the authorities of the Secretary
 6 under title 38, United States Code, carry out a pro-
 7 gram to provide outreach at the community level to
 8 veterans who participated in Operation Iraqi Free-
 9 dom or Operation Enduring Freedom who are or
 10 may be suffering from post-traumatic stress dis-
 11 order.

12 (2) PROGRAM SITES.—The program shall be
 13 carried out on a nation-wide basis through facilities
 14 of the Department of Veterans Affairs.

15 (3) PROGRAM CONTENT.—The program shall
 16 provide for individualized case management to be
 17 conducted on a one-on-one basis, counseling, edu-
 18 cation, and group therapy to help participants cope
 19 with post-traumatic stress disorder. The program—

20 (A) shall emphasize early identification of
 21 veterans who may be experiencing symptoms of
 22 post-traumatic stress disorder; and

23 (B) shall include group-oriented, peer-to-
 24 peer settings for treatment.

25 (c) REPORT ON PTSD OUTREACH.—

1 (1) IN GENERAL.—Not later than December 31,
 2 2006, the Secretary of Veterans Affairs shall submit
 3 to Congress a report on the outreach conducted by
 4 the Department of Veterans Affairs during fiscal
 5 year 2006 to veterans who participated in Operation
 6 Iraqi Freedom or Operation Enduring Freedom who
 7 are or may be suffering from post-traumatic stress
 8 disorder on the programs of the Department that
 9 address post-traumatic stress disorder, including the
 10 outreach conducted under subsection (b).

11 (2) ELEMENTS.—The report under paragraph
 12 (1) shall include—

13 (A) description of the outreach referred to
 14 in that paragraph; and

15 (B) an assessment of the effectiveness of
 16 such outreach.

17 **TITLE VI—REVENUE PROVISION**

18 **SEC. 601. PARTIAL REPEAL OF RATE REDUCTION IN THE** 19 **HIGHEST INCOME TAX BRACKET.**

20 Section 1(i)(2) of the Internal Revenue Code of 1986
 21 is amended by adding at the end the following flush sen-
 22 tence:

23 “In the case of taxable years beginning during cal-
 24 endar year 2005 and thereafter, the final item in the
 25 fourth column in the preceding table shall be applied

1 by substituting for ‘35.0%’ such rate as the Sec-
2 retary determines is necessary to provide sufficient
3 revenues to offset the Federal outlays required to
4 implement the provisions of, and the amendments
5 made by, the Strengthening America’s Armed
6 Forces and Military Family Bill of Rights Act.”.

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