

109TH CONGRESS  
1ST SESSION

# S. 460

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

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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

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## 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:

See. 1. Short title; table of contents.

See. 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.

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.

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

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 **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, over10                       “(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

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.—

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

3                   “(i) subsections (b)(1)(A)(ii) and  
4                   (c)(1)(B) shall be applied by substituting  
5                   ‘\$40,000’ for ‘\$30,000’,

6                   “(ii) subsection (b)(2)(A)(ii) shall be  
7                   applied by substituting ‘\$20,000’ for  
8                   ‘\$12,000’, and

9                   “(iii) paragraph (1)(A) of this sub-  
10                   section shall be applied by substituting  
11                   ‘100’ for ‘50’.

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

15                   “(i) the primary business of such per-  
16                   son is classified in sector 31, 32, or 33 of  
17                   the North American Industrial Classifica-  
18                   tion System, and

19                   “(ii) all of such person’s facilities  
20                   which are used for production in such busi-  
21                   ness are located in the United States.

22                   “(5) CARRYBACK AND CARRYFORWARD AL-  
23                   LOWED.—

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

1           the amount of the limitation under subsection  
2           (f)(1) for such taxable year (in this paragraph  
3           referred to as the ‘unused credit year’), such  
4           excess shall be a credit carryback to each of the  
5           3 taxable years preceding the unused credit  
6           year and a credit carryforward to each of the  
7           20 taxable years following the unused credit  
8           year.

9           “(B) RULES.—Rules similar to the rules of  
10          section 39 shall apply with respect to the credit  
11          carryback and credit carryforward under sub-  
12          paragraph (A).

13          “(6) CERTAIN RULES TO APPLY.—Rules similar  
14          to the rules of subsections (c), (d), and (e) of section  
15          52 shall apply.”.

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

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

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

23          (d) EFFECTIVE DATE; SPECIAL RULE.—

24           (1) EFFECTIVE DATE.—The amendments made  
25          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 families.”.

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).

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.—

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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