

Calendar No. 327

112TH CONGRESS
2^D SESSION**S. 2132****[Report No. 112–152]**

To amend the Internal Revenue Code of 1986 to provide for the extension of highway-related taxes and trust fund expenditures, to provide revenues for highway programs, and for other purposes.

IN THE SENATE OF THE UNITED STATES

FEBRUARY 27, 2012

Mr. BAUCUS, from the Committee on Finance, reported the following original bill; which was read twice and placed on the calendar

A BILL

To amend the Internal Revenue Code of 1986 to provide for the extension of highway-related taxes and trust fund expenditures, to provide revenues for highway programs, 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 “Highway Investment, Job Creation, and Economic
6 Growth Act of 2012”.

- 1 (b) TABLE OF CONTENTS.—The table of contents for
2 this Act is as follows:

Sec. 1. Short title; table of contents.

TITLE I—EXTENSION OF HIGHWAY TRUST FUND EXPENDITURE
AUTHORITY AND RELATED TAXES

Sec. 101. Extension of trust fund expenditure authority.

Sec. 102. Extension of highway-related taxes.

TITLE II—OTHER PROVISIONS

Sec. 201. Temporary increase in small issuer exception to tax-exempt interest
expense allocation rules for financial institutions.

Sec. 202. Temporary modification of alternative minimum tax limitations on
tax- exempt bonds.

Sec. 203. Issuance of TRIP bonds by State infrastructure banks.

Sec. 204. Extension of parity for exclusion from income for employer-provided
mass transit and parking benefits.

Sec. 205. Exempt-facility bonds for sewage and water supply facilities.

TITLE III—REVENUE PROVISIONS

Sec. 301. Transfer from Leaking Underground Storage Tank Trust Fund to
Highway Trust Fund.

Sec. 302. Portion of Leaking Underground Storage Tank Trust Fund financing
rate transferred to Highway Trust Fund.

Sec. 303. Elimination of unintended application of cellulosic biofuel producer
credit.

Sec. 304. Transfer of gas guzzler taxes to Highway Trust Fund.

Sec. 305. Revocation or denial of passport in case of certain unpaid taxes.

Sec. 306. 100 percent continuous levy on payments to Medicare providers and
suppliers.

Sec. 307. Transfer of amounts attributable to certain duties on imported vehi-
cles into the Highway Trust Fund.

Sec. 308. Treatment of securities of a controlled corporation exchanged for as-
sets in certain reorganizations.

Sec. 309. Internal Revenue Service levies and Thrift Savings Plan Accounts.

Sec. 310. Modifications of required distribution rules for pension plans.

Sec. 311. Depreciation and amortization rules for highway and related property
subject to long-term leases.

Sec. 312. Extension for transfers of excess pension assets to retiree health ac-
counts.

Sec. 313. Transfer of excess pension assets to retiree group term life insurance
accounts.

1 **TITLE I—EXTENSION OF HIGH-**
 2 **WAY TRUST FUND EXPENDI-**
 3 **TURE AUTHORITY AND RE-**
 4 **LATED TAXES**

5 **SEC. 101. EXTENSION OF TRUST FUND EXPENDITURE AU-**
 6 **THORITY.**

7 (a) HIGHWAY TRUST FUND.—Section 9503 of the
 8 Internal Revenue Code of 1986 is amended—

9 (1) by striking “April 1, 2012” in subsections
 10 (b)(6)(B), (c)(1), and (e)(3) and inserting “October
 11 1, 2013”; and

12 (2) by striking “Surface Transportation Exten-
 13 sion Act of 2011, Part II” in subsections (c)(1) and
 14 (e)(3) and inserting “Moving Ahead for Progress in
 15 the 21st Century Act”.

16 (b) SPORT FISH RESTORATION AND BOATING TRUST
 17 FUND.—Section 9504 of the Internal Revenue Code of
 18 1986 is amended—

19 (1) by striking “Surface Transportation Exten-
 20 sion Act of 2011, Part II” each place it appears in
 21 subsection (b)(2) and inserting “Moving Ahead for
 22 Progress in the 21st Century Act”; and

23 (2) by striking “April 1, 2012” in subsection
 24 (d)(2) and inserting “October 1, 2013”.

1 (c) LEAKING UNDERGROUND STORAGE TANK TRUST
 2 FUND.—Paragraph (2) of section 9508(e) of the Internal
 3 Revenue Code of 1986 is amended by striking “April 1,
 4 2012” and inserting “October 1, 2013”.

5 (d) ESTABLISHMENT OF SOLVENCY ACCOUNT.—Sec-
 6 tion 9503 of the Internal Revenue Code of 1986 is amend-
 7 ed by adding at the end the following new subsection:

8 “(g) ESTABLISHMENT OF SOLVENCY ACCOUNT.—

9 “(1) CREATION OF ACCOUNT.—There is estab-
 10 lished in the Highway Trust Fund a separate ac-
 11 count to be known as the ‘Solvency Account’ con-
 12 sisting of such amounts as may be transferred or
 13 credited to the Solvency Account as provided in this
 14 section or section 9602(b).

15 “(2) TRANSFERS TO SOLVENCY ACCOUNT.—
 16 The Secretary of the Treasury shall transfer to the
 17 Solvency Account the excess of—

18 “(A) any amount appropriated to the
 19 Highway Trust Fund before October 1, 2013,
 20 by reason of the provisions of, and amendments
 21 made by, the Highway Investment, Job Cre-
 22 ation, and Economic Growth Act of 2012, over

23 “(B) the amount necessary to meet the re-
 24 quired expenditures from the Highway Trust

1 Fund under subsection (c) for the period ending
2 before October 1, 2013.

3 “(3) EXPENDITURES FROM ACCOUNT.—
4 Amounts in the Solvency Account shall be available
5 for transfers to the Highway Account (as defined in
6 subsection (e)(5)(B)) and the Mass Transit Account
7 in such amounts as determined necessary by the
8 Secretary to ensure that each account has a surplus
9 balance of \$2,800,000,000 on September 30, 2013.

10 “(4) TERMINATION OF ACCOUNT.—The Sol-
11 vency Account shall terminate on September 30,
12 2013, and the Secretary shall transfer any remain-
13 ing balance in the Account on such date to the
14 Highway Trust Fund.”.

15 (e) EFFECTIVE DATE.—The amendments made by
16 this section shall take effect on April 1, 2012.

17 **SEC. 102. EXTENSION OF HIGHWAY-RELATED TAXES.**

18 (a) IN GENERAL.—

19 (1) Each of the following provisions of the In-
20 ternal Revenue Code of 1986 is amended by striking
21 “March 31, 2012” and inserting “September 30,
22 2015”:

23 (A) Section 4041(a)(1)(C)(iii)(I).

24 (B) Section 4041(m)(1)(B).

25 (C) Section 4081(d)(1).

1 (2) Each of the following provisions of such
 2 Code is amended by striking “April 1, 2012” and in-
 3 serting “October 1, 2015”:

4 (A) Section 4041(m)(1)(A).

5 (B) Section 4051(c).

6 (C) Section 4071(d).

7 (D) Section 4081(d)(3).

8 (b) EXTENSION OF TAX, ETC., ON USE OF CERTAIN
 9 HEAVY VEHICLES.—Each of the following provisions of
 10 the Internal Revenue Code of 1986 is amended by striking
 11 “2012” and inserting “2015”:

12 (1) Section 4481(f).

13 (2) Subsections (c)(4) and (d) of section 4482.

14 (c) FLOOR STOCKS REFUNDS.—Section 6412(a)(1)
 15 of the Internal Revenue Code of 1986 is amended—

16 (1) by striking “April 1, 2012” each place it
 17 appears and inserting “October 1, 2015”;

18 (2) by striking “September 30, 2012” each
 19 place it appears and inserting “March 31, 2016”;
 20 and

21 (3) by striking “July 1, 2012” and inserting
 22 “January 1, 2016”.

23 (d) EXTENSION OF CERTAIN EXEMPTIONS.—Sec-
 24 tions 4221(a) and 4483(i) of the Internal Revenue Code

1 of 1986 are each amended by striking “April 1, 2012”
 2 and inserting “October 1, 2015”.

3 (e) EXTENSION OF TRANSFERS OF CERTAIN
 4 TAXES.—

5 (1) IN GENERAL.—Section 9503 of the Internal
 6 Revenue Code of 1986 is amended—

7 (A) in subsection (b)—

8 (i) by striking “April 1, 2012” each
 9 place it appears in paragraphs (1) and (2)
 10 and inserting “October 1, 2015”;

11 (ii) by striking “APRIL 1, 2012” in the
 12 heading of paragraph (2) and inserting
 13 “OCTOBER 1, 2015”;

14 (iii) by striking “March 31, 2012” in
 15 paragraph (2) and inserting “September
 16 30, 2015”; and

17 (iv) by striking “January 1, 2013” in
 18 paragraph (2) and inserting “July 1,
 19 2016”; and

20 (B) in subsection (c)(2), by striking “Jan-
 21 uary 1, 2013” and inserting “July 1, 2016”.

22 (2) MOTORBOAT AND SMALL-ENGINE FUEL TAX
 23 TRANSFERS.—

24 (A) IN GENERAL.—Paragraphs (3)(A)(i)
 25 and (4)(A) of section 9503(c) of such Code are

1 each amended by striking “April 1, 2012” and
2 inserting “October 1, 2015”.

3 (B) CONFORMING AMENDMENTS TO LAND
4 AND WATER CONSERVATION FUND.—Section
5 201(b) of the Land and Water Conservation
6 Fund Act of 1965 (16 U.S.C. 460l–11(b)) is
7 amended—

8 (i) by striking “April 1, 2013” each
9 place it appears and inserting “October 1,
10 2016”; and

11 (ii) by striking “April 1, 2012” and
12 inserting “October 1, 2015”.

13 (f) EFFECTIVE DATE.—

14 (1) IN GENERAL.—Except as provided in para-
15 graph (2), the amendments made by this section
16 shall take effect on April 1, 2012.

17 (2) SUBSECTION (b)(2).—The amendment
18 made by subsection (b)(2) shall apply to periods be-
19 ginning after September 30, 2012.

1 **TITLE II—OTHER PROVISIONS**

2 **SEC. 201. TEMPORARY INCREASE IN SMALL ISSUER EXCEP-**
3 **TION TO TAX-EXEMPT INTEREST EXPENSE**
4 **ALLOCATION RULES FOR FINANCIAL INSTI-**
5 **TUTIONS.**

6 (a) IN GENERAL.—Subparagraph (G) of section
7 265(b)(3) of the Internal Revenue Code of 1986 is amend-
8 ed—

9 (1) by striking “2009 or 2010” in clause (i)
10 and inserting “2009, 2010, or 2012”,

11 (2) by striking “2009 or 2010” in clauses (ii)
12 and (iii) and inserting “2009, 2010, or the period
13 beginning after the date of the enactment of the
14 Highway Investment, Job Creation, and Economic
15 Growth Act of 2012 and before January 1, 2013”,
16 and

17 (3) by striking “2009 AND 2010” in the heading
18 and inserting “2009, 2010, AND 2012”.

19 (b) EFFECTIVE DATE.—The amendments made by
20 this section shall apply to obligations issued after the date
21 of the enactment of this Act.

1 **SEC. 202. TEMPORARY MODIFICATION OF ALTERNATIVE**
 2 **MINIMUM TAX LIMITATIONS ON TAX- EXEMPT**
 3 **BONDS.**

4 (a) INTEREST ON PRIVATE ACTIVITY BONDS NOT
 5 TREATED AS TAX PREFERENCE ITEMS.—Clause (vi) of
 6 section 57(a)(5)(C) of the Internal Revenue Code of 1986
 7 is amended—

8 (1) in subclause (I) by inserting “, or after the
 9 date of enactment of the Highway Investment, Job
 10 Creation, and Economic Growth Act of 2012 and be-
 11 fore January 1, 2013” after “January 1, 2011”;

12 (2) in subclause (III) by inserting “before Jan-
 13 uary 1, 2011” after “which is issued”; and

14 (3) by striking “AND 2010” in the heading and
 15 inserting “, 2010, AND PORTIONS OF 2012”.

16 (b) NO ADJUSTMENT TO ADJUSTED CURRENT
 17 EARNINGS.—Clause (iv) of section 56(g)(4)(B) of the In-
 18 ternal Revenue Code of 1986 is amended—

19 (1) in subclause (I) by inserting “, or after the
 20 date of enactment of the Highway Investment, Job
 21 Creation, and Economic Growth Act of 2012 and be-
 22 fore January 1, 2013” after “January 1, 2011”;

23 (2) in subclause (III) by inserting “before Jan-
 24 uary 1, 2011” after “which is issued”; and

25 (3) by striking “AND 2010” in the heading and
 26 inserting “, 2010, AND PORTIONS OF 2012”.

1 (c) EFFECTIVE DATE.—The amendments made by
 2 this section shall apply to obligations issued after the date
 3 of enactment of this Act.

4 **SEC. 203. ISSUANCE OF TRIP BONDS BY STATE INFRA-**
 5 **STRUCTURE BANKS.**

6 Section 610(d) of title 23, United States Code, is
 7 amended—

8 (1) by redesignating paragraphs (4), (5), and
 9 (6) as paragraphs (5), (6), and (7), respectively,
 10 (2) by inserting after paragraph (3) the fol-
 11 lowing new paragraph:

12 “(4) TRIP BOND ACCOUNT.—

13 “(A) IN GENERAL.—A State, through a
 14 State infrastructure bank, may issue TRIP
 15 bonds and deposit proceeds from such issuance
 16 into the TRIP bond account of the bank.

17 “(B) TRIP BOND.—For purposes of this
 18 section, the term ‘TRIP bond’ means any bond
 19 issued as part of an issue if—

20 “(i) 100 percent of the available
 21 project proceeds of such issue are to be
 22 used for expenditures incurred after the
 23 date of the enactment of this paragraph
 24 for 1 or more qualified projects pursuant
 25 to an allocation of such proceeds to such

1 project or projects by a State infrastruc-
 2 ture bank,

3 “(ii) the bond is issued by a State in-
 4 frastructure bank and is in registered form
 5 (within the meaning of section 149(a) of
 6 the Internal Revenue Code of 1986),

7 “(iii) the State infrastructure bank
 8 designates such bond for purposes of this
 9 section, and

10 “(iv) the term of each bond which is
 11 part of such issue does not exceed 30
 12 years.

13 “(C) QUALIFIED PROJECT.—For purposes
 14 of this subparagraph, the term ‘qualified
 15 project’ means the capital improvements to any
 16 transportation infrastructure project of any
 17 governmental unit or other person, including
 18 roads, bridges, rail and transit systems, ports,
 19 and inland waterways proposed and approved
 20 by a State infrastructure bank, but does not in-
 21 clude costs of operations or maintenance with
 22 respect to such project.”,

23 (3) by adding at the end of paragraph (5), as
 24 redesignated by paragraph (1), the following new
 25 subparagraph:

1 “(D) TRIP BOND ACCOUNT.—Funds de-
 2 posited into the TRIP bond account shall con-
 3 stitute for purposes of this section a capitaliza-
 4 tion grant for the TRIP bond account of the
 5 bank.”, and

6 (4) by adding at the end the following new
 7 paragraph:

8 “(8) SPECIAL RULES FOR TRIP BOND ACCOUNT
 9 FUNDS.—

10 “(A) IN GENERAL.—The State shall de-
 11 velop a transparent competitive process for the
 12 award of funds deposited into the TRIP bond
 13 account that considers the impact of qualified
 14 projects on the economy, the environment, state
 15 of good repair, and equity.

16 “(B) APPLICABILITY OF FEDERAL LAW.—
 17 The requirements of any Federal law, including
 18 this title and titles 40 and 49, which would oth-
 19 erwise apply to projects to which the United
 20 States is a party or to funds made available
 21 under such law and projects assisted with those
 22 funds shall apply to—

23 “(i) funds made available under the
 24 TRIP bond account for similar qualified
 25 projects, and

1 “(ii) similar qualified projects assisted
2 through the use of such funds.”.

3 **SEC. 204. EXTENSION OF PARITY FOR EXCLUSION FROM IN-**
4 **COME FOR EMPLOYER-PROVIDED MASS**
5 **TRANSIT AND PARKING BENEFITS.**

6 (a) IN GENERAL.—Paragraph (2) of section 132(f)
7 of the Internal Revenue Code of 1986 is amended by strik-
8 ing “January 1, 2012” and inserting “January 1, 2013”.

9 (b) EFFECTIVE DATE.—The amendment made by
10 this section shall apply to months after December 31,
11 2011.

12 **SEC. 205. EXEMPT-FACILITY BONDS FOR SEWAGE AND**
13 **WATER SUPPLY FACILITIES.**

14 (a) BONDS FOR WATER AND SEWAGE FACILITIES
15 TEMPORARILY EXEMPT FROM VOLUME CAP ON PRIVATE
16 ACTIVITY BONDS.—Subsection (g) of section 146 of the
17 Internal Revenue Code of 1986 is amended—

18 (1) by striking “and” at the end of paragraph

19 (3),

20 (2) by striking the period at the end of para-
21 graph (4) and inserting “, and”, and

22 (3) by inserting after paragraph (4) the fol-
23 lowing new paragraph:

1 “(5) any exempt facility bonds issued before
 2 January 1, 2018, as part of an issue described in
 3 paragraph (4) or (5) of section 142(a).”.

4 (b) CONFORMING CHANGE.—Paragraphs (2) and
 5 (3)(B) of section 146(k) of the Internal Revenue Code of
 6 1986 are both amended by striking “paragraph (4), (5),
 7 (6), or (10) of section 142(a)” and inserting “paragraph
 8 (4) or (5) of section 142(a) with respect to bonds issued
 9 after December 31, 2017, or paragraph (6) or (10) of sec-
 10 tion 142(a)”.

11 (c) EFFECTIVE DATE.—The amendments made by
 12 this section shall apply to obligations issued after the date
 13 of the enactment of this Act.

14 **TITLE III—REVENUE** 15 **PROVISIONS**

16 **SEC. 301. TRANSFER FROM LEAKING UNDERGROUND STOR-** 17 **AGE TANK TRUST FUND TO HIGHWAY TRUST** 18 **FUND.**

19 (a) IN GENERAL.—Subsection (c) of section 9508 of
 20 the Internal Revenue Code of 1986 is amended—

21 (1) by striking “Amounts” and inserting:

22 “(1) IN GENERAL.—Except as provided in para-
 23 graph (2), amounts”, and

24 (2) by adding at the end the following new
 25 paragraph:

1 “(2) TRANSFER TO HIGHWAY TRUST FUND.—
 2 Out of amounts in the Leaking Underground Stor-
 3 age Tank Trust Fund there is hereby appropriated
 4 \$3,000,000,000 to be transferred under section
 5 9503(f)(3) to the Highway Trust Fund.”.

6 (b) TRANSFER TO HIGHWAY TRUST FUND.—

7 (1) IN GENERAL.—Subsection (f) of section
 8 9503 of the Internal Revenue Code of 1986 is
 9 amended by inserting after paragraph (2) the fol-
 10 lowing new paragraph:

11 “(3) INCREASE IN FUND BALANCE.—There is
 12 hereby transferred to the Highway Trust Fund
 13 amounts appropriated from the Leaking Under-
 14 ground Storage Tank Trust Fund under section
 15 9508(c)(2).”.

16 (2) CONFORMING AMENDMENTS.—Paragraph
 17 (4) of section 9503(f) of such Code is amended—

18 (A) by inserting “or transferred” after
 19 “appropriated”, and

20 (B) by striking “APPROPRIATED” in the
 21 heading thereof.

1 **SEC. 302. PORTION OF LEAKING UNDERGROUND STORAGE**
 2 **TANK TRUST FUND FINANCING RATE TRANS-**
 3 **FERRED TO HIGHWAY TRUST FUND.**

4 (a) IN GENERAL.—Subsection (b) of section 9503 of
 5 the Internal Revenue Code of 1986 is amended by insert-
 6 ing after paragraph (2) the following new paragraph:

7 “(3) PORTION OF LEAKING UNDERGROUND
 8 STORAGE TANK TRUST FUND FINANCING RATE.—
 9 There are hereby appropriated to the Highway Trust
 10 Fund amounts equivalent to one-third of the taxes
 11 received in the Treasury under—

12 “(A) section 4041(d) (relating to addi-
 13 tional taxes on motor fuels),

14 “(B) section 4081 (relating to tax on gaso-
 15 line, diesel fuel, and kerosene) to the extent at-
 16 tributable to the Leaking Underground Storage
 17 Tank Trust Fund financing rate under such
 18 section, and

19 “(C) section 4042 (relating to tax on fuel
 20 used in commercial transportation on inland
 21 waterways) to the extent attributable to the
 22 Leaking Underground Storage Tank Trust
 23 Fund financing rate under such section.

24 For purposes of this paragraph, there shall not be
 25 taken into account the taxes imposed by sections

1 4041 and 4081 on diesel fuel sold for use or used
2 as fuel in a diesel-powered boat.”.

3 (b) CONFORMING AMENDMENTS.—

4 (1) Paragraphs (1), (2), and (3) of section
5 9508(b) of the Internal Revenue Code of 1986 are
6 each amended by inserting “two-thirds of the” be-
7 fore “taxes”.

8 (2) Paragraph (4) of section 9503(b) of such
9 Code is amended by striking subparagraphs (A) and
10 (B) and by redesignating subparagraphs (C) and
11 (D) as subparagraphs (A) and (B), respectively.

12 (c) EFFECTIVE DATE.—The amendments made by
13 this section shall apply to taxes received after the date
14 of the enactment of this Act.

15 **SEC. 303. ELIMINATION OF UNINTENDED APPLICATION OF**
16 **CELLULOSIC BIOFUEL PRODUCER CREDIT.**

17 (a) CLAIMS FOR CELLULOSIC BIOFUEL PRODUCER
18 CREDIT.—The amendments made by section 1408(a) of
19 the Health Care and Education Reconciliation Act of 2010
20 and section 2121(a) of the Small Business Jobs Act of
21 2010 shall be applied to claims for credits under section
22 40(a) of the Internal Revenue Code of 1986 with respect
23 to fuels sold or used before January 1, 2010, filed on or
24 after February 3, 2012.

1 (b) TREATMENT OF UNUSED GENERAL BUSINESS
 2 CREDITS.—No claim for credit under section 38(a)(1) of
 3 the Internal Revenue Code of 1986 which is attributable
 4 to a credit under section 40(a) of such Code for any fuel
 5 described in section 40(b)(6)(E)(iii) of such Code may be
 6 filed on or after February 3, 2012.

7 (c) TRANSFER OF RESULTING REVENUE TO HIGH-
 8 WAY TRUST FUND.—Subsection (b) of section 9503 of the
 9 Internal Revenue Code of 1986 is amended by adding at
 10 the end the following new paragraph:

11 “(7) TRANSFER OF RESULTING REVENUE.—
 12 Out of money in the Treasury not otherwise appro-
 13 priated, there are hereby appropriated amounts
 14 equivalent to the increase in revenues received in the
 15 Treasury resulting from the provisions of, and
 16 amendment made by, subsections (a) and (b) of sec-
 17 tion 303 of the Highway Investment, Job Creation,
 18 and Economic Growth Act of 2012.”.

19 **SEC. 304. TRANSFER OF GAS GUZZLER TAXES TO HIGHWAY**
 20 **TRUST FUND.**

21 (a) IN GENERAL.—Paragraph (1) of section 9503(b)
 22 of the Internal Revenue Code of 1986 is amended by re-
 23 designating subparagraphs (C), (D), and (E) as subpara-
 24 graphs (D), (E), and (F), respectively, and by inserting
 25 after subparagraph (B) the following new subparagraph:

1 “(B) section 4064 (relating to gas guzzler
2 tax),”.

3 (b) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to taxes received after the date
5 of the enactment of this Act.

6 **SEC. 305. REVOCATION OR DENIAL OF PASSPORT IN CASE**
7 **OF CERTAIN UNPAID TAXES.**

8 (a) IN GENERAL.—Subchapter D of chapter 75 of the
9 Internal Revenue Code of 1986 is amended by adding at
10 the end the following new section:

11 **“SEC. 7345. REVOCATION OR DENIAL OF PASSPORT IN CASE**
12 **OF CERTAIN TAX DELINQUENCIES.**

13 “(a) IN GENERAL.—If the Secretary receives certifi-
14 cation by the Commissioner of Internal Revenue that any
15 individual has a seriously delinquent tax debt in an
16 amount in excess of \$50,000, the Secretary shall transmit
17 such certification to the Secretary of State for action with
18 respect to denial, revocation, or limitation of a passport
19 pursuant to section 4 of the Act entitled ‘An Act to regu-
20 late the issue and validity of passports, and for other pur-
21 poses’, approved July 3, 1926 (22 U.S.C. 211a et seq.),
22 commonly known as the ‘Passport Act of 1926’.

23 “(b) SERIOUSLY DELINQUENT TAX DEBT.—For pur-
24 poses of this section, the term ‘seriously delinquent tax
25 debt’ means an outstanding debt under this title for which

1 a notice of lien has been filed in public records pursuant
 2 to section 6323 or a notice of levy has been filed pursuant
 3 to section 6331, except that such term does not include—

4 “(1) a debt that is being paid in a timely man-
 5 ner pursuant to an agreement under section 6159 or
 6 7122, and

7 “(2) a debt with respect to which collection is
 8 suspended because a collection due process hearing
 9 under section 6330, or relief under subsection (b),
 10 (c), or (f) of section 6015, is requested or pending.

11 “(c) ADJUSTMENT FOR INFLATION.—In the case of
 12 a calendar year beginning after 2012, the dollar amount
 13 in subsection (a) shall be increased by an amount equal
 14 to—

15 “(1) such dollar amount, multiplied by

16 “(2) the cost-of-living adjustment determined
 17 under section 1(f)(3) for the calendar year, deter-
 18 mined by substituting ‘calendar year 2011’ for ‘cal-
 19 endar year 1992’ in subparagraph (B) thereof.

20 If any amount as adjusted under the preceding sentence
 21 is not a multiple of \$1,000, such amount shall be rounded
 22 to the next highest multiple of \$1,000.”.

23 (b) CLERICAL AMENDMENT.—The table of sections
 24 for subchapter D of chapter 75 of the Internal Revenue

1 Code of 1986 is amended by adding at the end the fol-
 2 lowing new item:

“Sec. 7345. Revocation or denial of passport in case of certain tax delin-
 quencies.”.

3 (c) AUTHORITY FOR INFORMATION SHARING.—

4 (1) IN GENERAL.—Subsection (l) of section
 5 6103 of the Internal Revenue Code of 1986 is
 6 amended by adding at the end the following new
 7 paragraph:

8 “(23) DISCLOSURE OF RETURN INFORMATION
 9 TO DEPARTMENT OF STATE FOR PURPOSES OF PASS-
 10 PORT REVOCATION UNDER SECTION 7345.—

11 “(A) IN GENERAL.—The Secretary shall,
 12 upon receiving a certification described in sec-
 13 tion 7345, disclose to the Secretary of State re-
 14 turn information with respect to a taxpayer who
 15 has a seriously delinquent tax debt described in
 16 such section. Such return information shall be
 17 limited to—

18 “(i) the taxpayer identity information
 19 with respect to such taxpayer, and

20 “(ii) the amount of such seriously de-
 21 linquent tax debt.

22 “(B) RESTRICTION ON DISCLOSURE.—Re-
 23 turn information disclosed under subparagraph
 24 (A) may be used by officers and employees of

1 the Department of State for the purposes of,
 2 and to the extent necessary in, carrying out the
 3 requirements of section 4 of the Act entitled
 4 ‘An Act to regulate the issue and validity of
 5 passports, and for other purposes’, approved
 6 July 3, 1926 (22 U.S.C. 211a et seq.), com-
 7 monly known as the ‘Passport Act of 1926’.”.

8 (2) CONFORMING AMENDMENT.—Paragraph (4)
 9 of section 6103(p) of such Code is amended by strik-
 10 ing “or (22)” each place it appears in subparagraph
 11 (F)(ii) and in the matter preceding subparagraph
 12 (A) and inserting “(22), or (23)”.

13 (d) REVOCATION AUTHORIZATION.—The Act entitled
 14 “An Act to regulate the issue and validity of passports,
 15 and for other purposes”, approved July 3, 1926 (22
 16 U.S.C. 211a et seq.), commonly known as the “Passport
 17 Act of 1926”, is amended by adding at the end the fol-
 18 lowing:

19 **“SEC. 4. AUTHORITY TO DENY OR REVOKE PASSPORT.**

20 “(a) INELIGIBILITY.—

21 “(1) ISSUANCE.—Except as provided under
 22 subsection (b), upon receiving a certification de-
 23 scribed in section 7345 of the Internal Revenue
 24 Code of 1986 from the Secretary of the Treasury,
 25 the Secretary of State may not issue a passport or

1 passport card to any individual who has a seriously
2 delinquent tax debt described in such section.

3 “(2) REVOCATION.—The Secretary of State
4 shall revoke a passport or passport card previously
5 issued to any individual described in subparagraph
6 (A).

7 “(b) EXCEPTIONS.—

8 “(1) EMERGENCY AND HUMANITARIAN SITUA-
9 TIONS.—Notwithstanding subsection (a), the Sec-
10 retary of State may issue a passport or passport
11 card, in emergency circumstances or for humani-
12 tarian reasons, to an individual described in sub-
13 section (a)(1).

14 “(2) LIMITATION FOR RETURN TO UNITED
15 STATES.—Notwithstanding subsection (a)(2), the
16 Secretary of State, before revocation, may—

17 “(A) limit a previously issued passport or
18 passport card only for return travel to the
19 United States; or

20 “(B) issue a limited passport or passport
21 card that only permits return travel to the
22 United States.”.

23 (e) EFFECTIVE DATE.—The amendments made by
24 this section shall take effect on January 1, 2013.

1 **SEC. 306. 100 PERCENT CONTINUOUS LEVY ON PAYMENTS**
2 **TO MEDICARE PROVIDERS AND SUPPLIERS.**

3 (a) IN GENERAL.—Paragraph (3) of section 6331(h)
4 of the Internal Revenue Code of 1986 is amended by strik-
5 ing the period at the end and inserting “, or to a Medicare
6 provider or supplier under title XVIII of the Social Secu-
7 rity Act.”.

8 (b) EFFECTIVE DATE.—The amendment made by
9 this section shall apply to payments made after the date
10 of the enactment of this Act.

11 **SEC. 307. TRANSFER OF AMOUNTS ATTRIBUTABLE TO CER-**
12 **TAIN DUTIES ON IMPORTED VEHICLES INTO**
13 **THE HIGHWAY TRUST FUND.**

14 Section 9503(b) of the Internal Revenue Code of
15 1986, as amended by this Act, is amended by adding at
16 the end the following new paragraph:

17 “(8) CERTAIN DUTIES ON IMPORTED VEHI-
18 CLES.—There are hereby appropriated to the High-
19 way Trust Fund amounts equivalent to the amounts
20 received in the Treasury that are attributable to du-
21 ties collected on or after October 1, 2011, and before
22 October 1, 2016, on articles classified under sub-
23 heading 8703.22.00 or 8703.24.00 of the Har-
24 monized Tariff Schedule of the United States.”.

1 **SEC. 308. TREATMENT OF SECURITIES OF A CONTROLLED**
 2 **CORPORATION EXCHANGED FOR ASSETS IN**
 3 **CERTAIN REORGANIZATIONS.**

4 (a) IN GENERAL.—Section 361 of the Internal Rev-
 5 enue Code of 1986 is amended by adding at the end the
 6 following new subsection:

7 “(d) SPECIAL RULES FOR TRANSACTIONS INVOLVING
 8 SECTION 355 DISTRIBUTIONS.—In the case of a reorga-
 9 nization described in section 368(a)(1)(D) with respect to
 10 which stock or securities of the corporation to which the
 11 assets are transferred are distributed in a transaction
 12 which qualifies under section 355—

13 “(1) this section shall be applied by substituting
 14 ‘stock other than nonqualified preferred stock (as
 15 defined in section 351(g)(2))’ for ‘stock or securities’
 16 in subsections (a) and (b)(1), and

17 “(2) the first sentence of subsection (b)(3) shall
 18 apply only to the extent that the sum of the money
 19 and the fair market value of the other property
 20 transferred to such creditors does not exceed the ad-
 21 justed bases of such assets transferred (reduced by
 22 the amount of the liabilities assumed (within the
 23 meaning of section 357(c))).”.

24 (b) CONFORMING AMENDMENT.—Paragraph (3) of
 25 section 361(b) is amended by striking the last sentence.

26 (c) EFFECTIVE DATE.—

1 (1) IN GENERAL.—Except as provided in para-
2 graph (2), the amendments made by this section
3 shall apply to exchanges after the date of the enact-
4 ment of this Act.

5 (2) TRANSITION RULE.—The amendments
6 made by this section shall not apply to any exchange
7 pursuant to a transaction which is—

8 (A) made pursuant to a written agreement
9 which was binding on February 6, 2012, and at
10 all times thereafter;

11 (B) described in a ruling request submitted
12 to the Internal Revenue Service on or before
13 February 6, 2012; or

14 (C) described on or before February 6,
15 2012, in a public announcement or in a filing
16 with the Securities and Exchange Commission.

17 **SEC. 309. INTERNAL REVENUE SERVICE LEVIES AND**
18 **THRIFT SAVINGS PLAN ACCOUNTS.**

19 Section 8437(e)(3) of title 5, United States Code, is
20 amended by inserting “, the enforcement of a Federal tax
21 levy as provided in section 6331 of the Internal Revenue
22 Code of 1986,” after “(42 U.S.C. 659)”.

1 **SEC. 310. MODIFICATIONS OF REQUIRED DISTRIBUTION**
 2 **RULES FOR PENSION PLANS.**

3 (a) IN GENERAL.—Section 401(a)(9)(B) of the Inter-
 4 nal Revenue Code of 1986 is amended to read as follows:

5 “(B) REQUIRED DISTRIBUTIONS WHERE
 6 EMPLOYEE DIES BEFORE ENTIRE INTEREST IS
 7 DISTRIBUTED.—

8 “(i) 5-YEAR GENERAL RULE.—A trust
 9 shall not constitute a qualified trust under
 10 this section unless the plan provides that,
 11 if an employee dies before the distribution
 12 of the employee’s interest (whether or not
 13 such distribution has begun in accordance
 14 with subparagraph (A)), the entire interest
 15 of the employee will be distributed within
 16 5 years after the death of such employee.

17 “(ii) EXCEPTION FOR ELIGIBLE DES-
 18 IGNATED BENEFICIARIES.—If—

19 “(I) any portion of the employ-
 20 ee’s interest is payable to (or for the
 21 benefit of) an eligible designated bene-
 22 ficiary,

23 “(II) such portion will be distrib-
 24 uted (in accordance with regulations)
 25 over the life of such eligible des-
 26 ignated beneficiary (or over a period

1 not extending beyond the life expect-
 2 ancy of such beneficiary), and

3 “(III) such distributions begin
 4 not later than 1 year after the date of
 5 the employee’s death or such later
 6 date as the Secretary may by regula-
 7 tions prescribe,

8 then, for purposes of clause (i) and except
 9 as provided in clause (iv) or subparagraph
 10 (E)(iii), the portion referred to in sub-
 11 clause (I) shall be treated as distributed on
 12 the date on which such distributions begin.

13 “(iii) SPECIAL RULE FOR SURVIVING
 14 SPOUSE OF EMPLOYEE.—If the eligible
 15 designated beneficiary referred to in clause
 16 (ii)(I) is the surviving spouse of the em-
 17 ployee—

18 “(I) the date on which the dis-
 19 tributions are required to begin under
 20 clause (ii)(III) shall not be earlier
 21 than the date on which the employee
 22 would have attained age 70 ½, and

23 “(II) if the surviving spouse dies
 24 before the distributions to such spouse
 25 begin, this subparagraph shall be ap-

1 plied as if the surviving spouse were
2 the employee.

3 “(iv) RULES UPON DEATH OF ELIGI-
4 BLE DESIGNATED BENEFICIARY.—If an el-
5 igible designated beneficiary dies before the
6 portion of an employee’s interest described
7 in clause (ii) is entirely distributed, clause
8 (ii) shall not apply to any beneficiary of
9 such eligible designated beneficiary and the
10 remainder of such portion shall be distrib-
11 uted within 5 years after the death of such
12 beneficiary.”.

13 (b) DEFINITION OF ELIGIBLE DESIGNATED BENE-
14 FICIARY.—Section 401(a)(9)(E) of such Code is amended
15 to read as follows:

16 “(E) DEFINITIONS AND RULES RELATING
17 TO DESIGNATED BENEFICIARY.—For purposes
18 of this paragraph—

19 “(i) DESIGNATED BENEFICIARY.—The
20 term ‘designated beneficiary’ means any
21 individual designated as a beneficiary by
22 the employee.

23 “(ii) ELIGIBLE DESIGNATED BENE-
24 FICIARY.—The term ‘eligible designated
25 beneficiary’ means, with respect to any em-

1 ployee, any designated beneficiary who, as
2 of the date of death of the employee, is—

3 “(I) the surviving spouse of the
4 employee,

5 “(II) subject to clause (iii), a
6 child of the employee who has not
7 reached majority (within the meaning
8 of subparagraph (F)),

9 “(III) disabled (within the mean-
10 ing of section 72(m)(7)),

11 “(IV) a chronically ill individual
12 (within the meaning of section
13 7702B(c)(2), except that the require-
14 ments of subparagraph (A)(i) thereof
15 shall only be treated as met if there is
16 a certification that, as of such date,
17 the period of inability described in
18 such subparagraph with respect to the
19 individual is an indefinite one that is
20 reasonably expected to be lengthy in
21 nature), or

22 “(V) an individual not described
23 in any of the preceding subparagraphs
24 who is not more than 10 years young-
25 er than the employee.

1 “(iii) SPECIAL RULE FOR CHIL-
 2 DREN.—Subject to subparagraph (F), an
 3 individual described in clause (ii)(II) shall
 4 cease to be an eligible designated bene-
 5 ficiary as of the date the individual reaches
 6 majority and the requirement of subpara-
 7 graph (B)(i) shall not be treated as met
 8 with respect to any remaining portion of
 9 an employee’s interest payable to the indi-
 10 vidual unless such portion is distributed
 11 within 5 years after such date.”.

12 (c) REQUIRED BEGINNING DATE.—Section
 13 401(a)(9)(C) of such Code is amended by adding at the
 14 end the following new clause:

15 “(v) EMPLOYEES BECOMING 5-PER-
 16 CENT OWNERS AFTER AGE 70½.—If an
 17 employee becomes a 5-percent owner (as
 18 defined in section 416) with respect to a
 19 plan year ending in a calendar year after
 20 the calendar year in which the employee
 21 attains age 70½ , then clause (i)(II) shall
 22 be applied by substituting the calendar
 23 year in which the employee became such
 24 an owner for the calendar year in which
 25 the employee retires.”.

1 (d) EFFECTIVE DATES.—

2 (1) IN GENERAL.—Except as provided in this
3 subsection, the amendments made by this section
4 shall apply to distributions with respect to employees
5 who die after December 31, 2012.

6 (2) REQUIRED BEGINNING DATE.—

7 (A) IN GENERAL.—The amendment made
8 by subsection (c) shall apply to employees be-
9 coming a 5-percent owner with respect to plan
10 years ending in calendar years beginning before,
11 on, or after the date of the enactment of this
12 Act.

13 (B) SPECIAL RULE.—If—

14 (i) an employee became a 5-percent
15 owner with respect to a plan year ending
16 in a calendar year which began before Jan-
17 uary 1, 2012, and

18 (ii) the employee has not retired be-
19 fore calendar year 2013,

20 such employee shall be treated as having be-
21 come a 5-percent owner with respect to a plan
22 year ending in 2012 for purposes of applying
23 section 401(a)(9)(C)(v) of the Internal Revenue
24 Code of 1986 (as added by the amendment
25 made by subsection (c)).

1 (3) EXCEPTION FOR CERTAIN BENE-
 2 FICIARIES.—If a designated beneficiary of an em-
 3 ployee who dies before January 1, 2013, dies after
 4 December 31, 2012—

5 (A) the amendments made by this section
 6 shall apply to any beneficiary of such des-
 7 ignated beneficiary, and

8 (B) the designated beneficiary shall be
 9 treated as an eligible designated beneficiary for
 10 purposes of applying section 401(a)(9)(B)(iv) of
 11 such Code (as in effect after the amendments
 12 made by this section).

13 (4) EXCEPTION FOR CERTAIN EXISTING ANNU-
 14 ITY CONTRACTS.—

15 (A) IN GENERAL.—The amendments made
 16 by this section shall not apply to a qualified an-
 17 nuity which is a binding annuity contract in ef-
 18 fect on the date of the enactment of this Act
 19 and at all times thereafter.

20 (B) QUALIFIED ANNUITY CONTRACT.—For
 21 purposes of this paragraph, the term “qualified
 22 annuity” means, with respect to an employee,
 23 an annuity—

1 (i) which is a commercial annuity (as
2 defined in section 3405(e)(6) of such
3 Code) or payable by a defined benefit plan,

4 (ii) under which the annuity payments
5 are substantially equal periodic payments
6 (not less frequently than annually) over the
7 lives of such employee and a designated
8 beneficiary (or over a period not extending
9 beyond the life expectancy of such em-
10 ployee or the life expectancy of such em-
11 ployee and a designated beneficiary) in ac-
12 cordance with the regulations described in
13 section 401(a)(9)(A)(ii) of such Code (as
14 in effect before such amendments) and
15 which meets the other requirements of this
16 section 401(a)(9) of such Code (as so in
17 effect) with respect to such payments, and

18 (iii) with respect to which—

19 (I) annuity payments to the em-
20 ployee have begun before January 1,
21 2013, and the employee has made an
22 irrevocable election before such date
23 as to the method and amount of the
24 annuity payments to the employee or
25 any designated beneficiaries, or

1 (II) if subclause (I) does not
 2 apply, the employee has made an ir-
 3 revocable election before the date of
 4 the enactment of this Act as to the
 5 method and amount of the annuity
 6 payments to the employee or any des-
 7 ignated beneficiaries.

8 **SEC. 311. DEPRECIATION AND AMORTIZATION RULES FOR**
 9 **HIGHWAY AND RELATED PROPERTY SUBJECT**
 10 **TO LONG-TERM LEASES.**

11 (a) ACCELERATED COST RECOVERY.—

12 (1) IN GENERAL.—Section 168(g)(1) of the In-
 13 ternal Revenue Code of 1986 is amended by striking
 14 “and” at the end of subparagraph (D), by redesign-
 15 ating subparagraph (E) as subparagraph (F), and
 16 by inserting after subparagraph (D) the following
 17 new subparagraph:

18 “(E) any applicable leased highway prop-
 19 erty,”.

20 (2) RECOVERY PERIOD.—The table contained in
 21 subparagraph (C) of section 168(g)(2) of such Code
 22 is amended by redesignating clause (iv) as clause (v)
 23 and by inserting after clause (iii) the following new
 24 clause:

“(iv) Applicable leased highway property 45 years.”.

1 (3) APPLICABLE LEASED HIGHWAY PROPERTY
2 DEFINED.—

3 (A) IN GENERAL.—Section 168(g) of such
4 Code is amended by redesignating paragraph
5 (7) as paragraph (8) and by inserting after
6 paragraph (6) the following new paragraph:

7 “(7) APPLICABLE LEASED HIGHWAY PROP-
8 PERTY.—For purposes of paragraph (1)(E)—

9 “(A) IN GENERAL.—The term ‘applicable
10 leased highway property’ means property to
11 which this section otherwise applies which—

12 “(i) is subject to an applicable lease,
13 and

14 “(ii) is placed in service before the
15 date of such lease.

16 “(B) APPLICABLE LEASE.—The term ‘ap-
17 plicable lease’ means a lease or other arrange-
18 ment—

19 “(i) which is between the taxpayer
20 and a State or political subdivision thereof,
21 or any agency or instrumentality of either,
22 and

23 “(ii) under which the taxpayer—

24 “(I) leases a highway and associ-
25 ated improvements,

1 “(II) receives a right-of-way on
 2 the public lands underlying such high-
 3 way and improvements, and

4 “(III) receives a grant of a fran-
 5 chise or other intangible right permit-
 6 ting the taxpayer to receive funds re-
 7 lating to the operation of such high-
 8 way.”.

9 (B) CONFORMING AMENDMENT.—Subpara-
 10 graph (F) of section 168(g)(1) (as redesignated
 11 by subsection (a)(1)) is amended by striking
 12 “paragraph (7)” and inserting “paragraph
 13 (8)”.

14 (b) AMORTIZATION OF INTANGIBLES.—Section
 15 197(f) of the Internal Revenue Code of 1986 is amended
 16 by adding at the end the following new paragraph:

17 “(11) INTANGIBLES RELATING TO APPLICABLE
 18 LEASED HIGHWAY PROPERTY.—In the case of any
 19 amortizable section 197 intangible property which is
 20 acquired in connection with an applicable lease (as
 21 defined in section 168(g)(7)(B)), the amortization
 22 period under this section shall not be less than the
 23 term of the applicable lease. For purposes of the
 24 preceding sentence, rules similar to the rules of sec-

1 tion 168(i)(3)(A) shall apply in determining the
2 term of the applicable lease.”.

3 (c) NO PRIVATE ACTIVITY BOND FINANCING OF AP-
4 PLICABLE LEASED HIGHWAY PROPERTY.—Section 147(e)
5 of the Internal Revenue Code of 1986 is amended by in-
6 serting “, or to finance any applicable leased highway
7 property (as defined in section 168(g)(7)(A))” after
8 “premises”.

9 (d) EFFECTIVE DATES.—

10 (1) IN GENERAL.—Except as provided in para-
11 graph (2), the amendments made by this section
12 shall apply to leases entered into after the date of
13 the enactment of this Act.

14 (2) NO PRIVATE ACTIVITY BOND FINANCING.—
15 The amendment made by subsection (c) shall apply
16 to bonds issued after the date of the enactment of
17 this Act.

18 **SEC. 312. EXTENSION FOR TRANSFERS OF EXCESS PENSION**

19 **ASSETS TO RETIREE HEALTH ACCOUNTS.**

20 (a) IN GENERAL.—Paragraph (5) of section 420(b)
21 of the Internal Revenue Code of 1986 is amended by strik-
22 ing “December 31, 2013” and inserting “December 31,
23 2021”.

24 (b) CONFORMING ERISA AMENDMENTS.—

1 (1) Sections 101(e)(3), 403(c)(1), and
 2 408(b)(13) of the Employee Retirement Income Se-
 3 curity Act of 1974 are each amended by striking
 4 “Pension Protection Act of 2006” and inserting
 5 “Highway Investment, Job Creation, and Economic
 6 Growth Act of 2012”.

7 (2) Section 408(b)(13) of such Act (29 U.S.C.
 8 1108(b)(13)) is amended by striking “January 1,
 9 2014” and inserting “January 1, 2022”.

10 (c) EFFECTIVE DATE.—The amendments made by
 11 this Act shall take effect on the date of the enactment
 12 of this Act.

13 **SEC. 313. TRANSFER OF EXCESS PENSION ASSETS TO RE-**
 14 **TIREE GROUP TERM LIFE INSURANCE AC-**
 15 **COUNTS.**

16 (a) IN GENERAL.—Subsection (a) of section 420 of
 17 the Internal Revenue Code of 1986 is amended by insert-
 18 ing “, or an applicable life insurance account,” after
 19 “health benefits account”.

20 (b) APPLICABLE LIFE INSURANCE ACCOUNT DE-
 21 FINED.—

22 (1) IN GENERAL.—Subsection (e) of section
 23 420 of the Internal Revenue Code of 1986 is amend-
 24 ed by redesignating paragraphs (4) and (5) as para-

graphs (5) and (6), respectively, and by inserting after paragraph (3) the following new paragraph:

“(4) APPLICABLE LIFE INSURANCE ACCOUNT.—The term ‘applicable life insurance account’ means a separate account established and maintained for amounts transferred under this section for qualified current retiree liabilities based on premiums for applicable life insurance benefits.”.

(2) APPLICABLE LIFE INSURANCE BENEFITS DEFINED.—Paragraph (1) of section 420(e) of such Code is amended by redesignating subparagraph (D) as subparagraph (E) and by inserting after subparagraph (C) the following new subparagraph:

“(D) APPLICABLE LIFE INSURANCE BENEFITS.—The term ‘applicable life insurance benefits’ means group-term life insurance coverage provided to retired employees who, immediately before the qualified transfer, are entitled to receive such coverage by reason of retirement and who are entitled to pension benefits under the plan, but only to the extent that such coverage is provided under a policy for retired employees and the cost of such coverage is excludable from the retired employee’s gross income under section 79.”.

1 (3) COLLECTIVELY BARGAINED LIFE INSUR-
 2 ANCE BENEFITS DEFINED.—

3 (A) IN GENERAL.—Paragraph (6) of sec-
 4 tion 420(f) of such Code is amended by redesign-
 5 nating subparagraph (D) as subparagraph (E)
 6 and by inserting after subparagraph (C) the fol-
 7 lowing new subparagraph:

8 “(D) COLLECTIVELY BARGAINED LIFE IN-
 9 SURANCE BENEFITS.—The term ‘collectively
 10 bargained life insurance benefits’ means, with
 11 respect to any collectively bargained transfer—

12 “(i) applicable life insurance benefits
 13 which are provided to retired employees
 14 who, immediately before the transfer, are
 15 entitled to receive such benefits by reason
 16 of retirement, and

17 “(ii) if specified by the provisions of
 18 the collective bargaining agreement gov-
 19 erning the transfer, applicable life insur-
 20 ance benefits which will be provided at re-
 21 tirement to employees who are not retired
 22 employees at the time of the transfer.”.

23 (B) CONFORMING AMENDMENTS.—

24 (i) Clause (i) of section 420(e)(1)(C)
 25 of such Code is amended by striking “upon

1 retirement” and inserting “by reason of re-
2 tirement”.

3 (ii) Subparagraph (C) of section
4 420(f)(6) of such Code is amended—

5 (I) by striking “which are pro-
6 vided to” in the matter preceding
7 clause (i),

8 (II) by inserting “which are pro-
9 vided to” before “retired employees”
10 in clause (i),

11 (III) by striking “upon retire-
12 ment” in clause (i) and inserting “by
13 reason of retirement”, and

14 (IV) by striking “active employ-
15 ees who, following their retirement,”
16 and inserting “which will be provided
17 at retirement to employees who are
18 not retired employees at the time of
19 the transfer and who”.

20 (c) MAINTENANCE OF EFFORT.—

21 (1) IN GENERAL.—Subparagraph (A) of section
22 420(c)(3) of the Internal Revenue Code of 1986 is
23 amended by inserting “, and each group-term life in-
24 surance plan under which applicable life insurance

1 benefits are provided,” after “health benefits are
2 provided”.

3 (2) CONFORMING AMENDMENTS.—

4 (A) Subparagraph (B) of section 420(c)(3)
5 of such Code is amended—

6 (i) by redesignating subclauses (I) and
7 (II) of clause (i) as subclauses (II) and
8 (III) of such clause, respectively, and by
9 inserting before subclause (II) of such
10 clause, as so redesignated, the following
11 new subclause:

12 “(I) separately with respect to
13 applicable health benefits and applica-
14 ble life insurance benefits,” and

15 (ii) by striking “for applicable health
16 benefits” and all that follows in clause (ii)
17 and inserting “was provided during such
18 taxable year for the benefits with respect
19 to which the determination under clause (i)
20 is made.”.

21 (B) Subparagraph (C) of section 420(c)(3)
22 of such Code is amended—

23 (i) by inserting “for applicable health
24 benefits” after “applied separately”, and

1 (ii) by inserting “, and separately for
 2 applicable life insurance benefits with re-
 3 spect to individuals age 65 or older at any
 4 time during the taxable year and with re-
 5 spect to individuals under age 65 during
 6 the taxable year” before the period.

7 (C) Subparagraph (E) of section 420(c)(3)
 8 of such Code is amended—

9 (i) in clause (i), by inserting “or re-
 10 tiree life insurance coverage, as the case
 11 may be,” after “retiree health coverage”,
 12 and

13 (ii) in clause (ii), by inserting “FOR
 14 RETIREE HEALTH COVERAGE” after “COST
 15 REDUCTIONS” in the heading thereof, and

16 (iii) in clause (ii)(II), by inserting
 17 “with respect to applicable health benefits”
 18 after “liabilities of the employer”.

19 (D) Paragraph (2) of section 420(f) of
 20 such Code is amended by striking “collectively
 21 bargained retiree health liabilities” each place it
 22 occurs and inserting “collectively bargained re-
 23 tiree liabilities”.

24 (E) Clause (i) of section 420(f)(2)(D) of
 25 such Code is amended—

(i) by inserting “, and each group-term life insurance plan or arrangement under which applicable life insurance benefits are provided,” in subclause (I) after “applicable health benefits are provided”,

(ii) by inserting “or applicable life insurance benefits, as the case may be,” in subclause (I) after “provides applicable health benefits”,

(iii) by striking “group health” in subclause (II), and

(iv) by inserting “or collectively bargained life insurance benefits” in subclause (II) after “collectively bargained health benefits”.

(F) Clause (ii) of section 420(f)(2)(D) of such Code is amended—

(i) by inserting “with respect to applicable health benefits or applicable life insurance benefits” after “requirements of subsection (c)(3)”, and

(ii) by adding at the end the following: “Such election may be made separately with respect to applicable health benefits and applicable life insurance bene-

1 fits. In the case of an election with respect
 2 to applicable life insurance benefits, the
 3 first sentence of this clause shall be ap-
 4 plied as if subsection (c)(3) as in effect be-
 5 fore the amendments made by such Act
 6 applied to such benefits.”

7 (G) Clause (iii) of section 420(f)(2)(D) of
 8 such Code is amended—

9 (i) by striking “retiree” each place it
 10 occurs, and

11 (ii) by inserting “, collectively bar-
 12 gained life insurance benefits, or both, as
 13 the case may be,” after “health benefits”
 14 each place it occurs.

15 (d) COORDINATION WITH SECTION 79.—Section 79
 16 of the Internal Revenue Code of 1986 is amended by add-
 17 ing at the end the following new subsection:

18 “(f) EXCEPTION FOR LIFE INSURANCE PURCHASED
 19 IN CONNECTION WITH QUALIFIED TRANSFER OF EXCESS
 20 PENSION ASSETS.—Subsection (b)(3) and section
 21 72(m)(3) shall not apply in the case of any cost paid
 22 (whether directly or indirectly) with assets held in an ap-
 23 plicable life insurance account (as defined in section
 24 420(e)(4)) under a defined benefit plan.”.

25 (e) CONFORMING AMENDMENTS.—

1 (1) Section 420 of the Internal Revenue Code
 2 of 1986 is amended by striking “qualified current
 3 retiree health liabilities” each place it appears and
 4 inserting “qualified current retiree liabilities”.

5 (2) Section 420 of such Code is amended by in-
 6 serting “, or an applicable life insurance account,”
 7 after “a health benefits account” each place it ap-
 8 pears in subsection (b)(1)(A), subparagraphs (A),
 9 (B)(i), and (C) of subsection (c)(1), subsection
 10 (d)(1)(A), and subsection (f)(2)(E)(ii).

11 (3) Section 420(b) of such Code is amended—

12 (A) by adding the following at the end of
 13 paragraph (2)(A): “If there is a transfer from
 14 a defined benefit plan to both a health benefits
 15 account and an applicable life insurance ac-
 16 count during any taxable year, such transfers
 17 shall be treated as 1 transfer for purposes of
 18 this paragraph.”, and

19 (B) by inserting “to an account” after
 20 “may be transferred” in paragraph (3).

21 (4) The heading for section 420(c)(1)(B) of
 22 such Code is amended by inserting “OR LIFE INSUR-
 23 ANCE” after “HEALTH BENEFITS”.

24 (5) Paragraph (1) of section 420(e) of such
 25 Code is amended—

1 (A) by inserting “and applicable life insur-
 2 ance benefits” in subparagraph (A) after “ap-
 3 plicable health benefits”, and

4 (B) by striking “HEALTH” in the heading
 5 thereof.

6 (6) Subparagraph (B) of section 420(e)(1) of
 7 such Code is amended—

8 (A) in the matter preceding clause (i), by
 9 inserting “(determined separately for applicable
 10 health benefits and applicable life insurance
 11 benefits)” after “shall be reduced by the
 12 amount”,

13 (B) in clause (i), by inserting “or applica-
 14 ble life insurance accounts” after “health ben-
 15 efit accounts”, and

16 (C) in clause (i), by striking “qualified cur-
 17 rent retiree health liability” and inserting
 18 “qualified current retiree liability”.

19 (7) The heading for subsection (f) of section
 20 420 of such Code is amended by striking “HEALTH”
 21 each place it occurs.

22 (8) Subclause (II) of section 420(f)(2)(B)(ii) of
 23 such Code is amended by inserting “or applicable
 24 life insurance account, as the case may be,” after
 25 “health benefits account”.

1 (9) Subclause (III) of section 420(f)(2)(E)(i) of
2 such Code is amended—

3 (A) by inserting “defined benefit” before
4 “plan maintained by an employer”, and

5 (B) by inserting “health” before “benefit
6 plans maintained by the employer”.

7 (10) Paragraphs (4) and (6) of section 420(f)
8 of such Code are each amended by striking “collec-
9 tively bargained retiree health liabilities” each place
10 it occurs and inserting “collectively bargained retiree
11 liabilities”.

12 (11) Subparagraph (A) of section 420(f)(6) of
13 such Code is amended—

14 (A) in clauses (i) and (ii), by inserting “,
15 in the case of a transfer to a health benefits ac-
16 count,” before “his covered spouse and depend-
17 ents”, and

18 (B) in clause (ii), by striking “health plan”
19 and inserting “plan”.

20 (12) Subparagraph (B) of section 420(f)(6) of
21 such Code is amended—

22 (A) in clause (i), by inserting “, and collec-
23 tively bargained life insurance benefits,” after
24 “collectively bargained health benefits”,

25 (B) in clause (ii)—

1 (i) by adding at the end the following:

2 “The preceding sentence shall be applied
3 separately for collectively bargained health
4 benefits and collectively bargained life in-
5 surance benefits.”, and

6 (ii) by inserting “, applicable life in-
7 surance accounts,” after “health benefit
8 accounts”, and

9 (C) by striking “HEALTH” in the heading
10 thereof.

11 (13) Subparagraph (E) of section 420(f)(6) of
12 such Code, as redesignated by subsection (b), is
13 amended—

14 (A) by striking “bargained health” and in-
15 serting “bargained”,

16 (B) by inserting “, or a group-term life in-
17 surance plan or arrangement for retired em-
18 ployees,” after “dependents” , and

19 (C) by striking “HEALTH” in the heading
20 thereof.

21 (14) Section 101(e) of the Employee Retire-
22 ment Income Security Act of 1974 (29 U.S.C.
23 1021(e)) is amended—

24 (A) in paragraphs (1) and (2), by inserting
25 “or applicable life insurance account” after

1 “health benefits account” each place it appears,
2 and

3 (B) in paragraph (1), by inserting “or ap-
4 plicable life insurance benefit liabilities” after
5 “health benefits liabilities”.

6 (f) TECHNICAL CORRECTION.—Clause (iii) of section
7 420(f)(6)(B) is amended by striking “416(I)(1)” and in-
8 serting “416(i)(1)”.

9 (g) REPEAL OF DEADWOOD.—

10 (1) Subparagraph (A) of section 420(b)(1) of
11 the Internal Revenue Code of 1986 is amended by
12 striking “in a taxable year beginning after December
13 31, 1990”.

14 (2) Subsection (b) of section 420 of such Code
15 is amended by striking paragraph (4) and by redesi-
16 gnating paragraph (5), as amended by this Act, as
17 paragraph (4).

18 (3) Paragraph (2) of section 420(b) of such
19 Code, as amended by this section, is amended—

20 (A) by striking subparagraph (B), and

21 (B) by striking “PER YEAR.—” and all
22 that follows through “No more than” and in-
23 serting “PER YEAR.—No more than”.

24 (4) Paragraph (2) of section 420(c) of such
25 Code is amended—

1 (A) by striking subparagraph (B),

2 (B) by moving subparagraph (A) two ems

3 to the left, and

4 (C) by striking “BEFORE TRANSFER.—”

5 and all that follows through “The requirements

6 of this paragraph” and inserting the following:

7 “BEFORE TRANSFER.—The requirements of this

8 paragraph”.

9 (5) Paragraph (2) of section 420(d) of such

10 Code is amended by striking “after December 31,

11 1990”.

12 (h) EFFECTIVE DATE.—

13 (1) IN GENERAL.—The amendments made by

14 this section shall apply to transfers made after the

15 date of the enactment of this Act.

16 (2) CONFORMING AMENDMENTS RELATING TO

17 PENSION PROTECTION ACT.—The amendments made

18 by subsections (b)(3)(B) and (f) shall take effect as

19 if included in the amendments made by section

20 841(a) of the Pension Protection Act of 2006.

Calendar No. 327

112TH CONGRESS
2D Session

S. 2132

[Report No. 112-152]

A BILL

To amend the Internal Revenue Code of 1986 to provide for the extension of highway-related taxes and trust fund expenditures, to provide revenues for highway programs, and for other purposes.

FEBRUARY 27, 2012

Read twice and placed on the calendar