

House adjourns on Monday, December 17, 2001, it adjourn to meet at 12:30 p.m. on Tuesday, December 18 for morning hour debates.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Texas?

There was no objection.

DISPENSING WITH CALENDAR  
WEDNESDAY BUSINESS ON  
WEDNESDAY NEXT

Mr. ARMEY. Mr. Speaker, I ask unanimous consent that the business in order under the Calendar Wednesday rule be dispensed with on Wednesday next.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Texas?

There was no objection.

VICTIMS OF TERRORISM RELIEF  
ACT OF 2001

Mr. THOMAS. Mr. Speaker, I ask unanimous consent that it be in order at any time to take from the Speaker's table the bill (H.R. 2884) to amend the Internal Revenue Code of 1986 to provide tax relief for victims of the terrorist attacks against the United States on September 11, 2001, with Senate amendments thereto, and to consider in the House, without intervention of any point of order, any motion, or any demand for division of the question, a single motion offered by the chairman of the Committee on Ways and Means or his designee that the House concur in the Senate amendments with the amendment I have placed at the desk; that the Senate amendments and the motion be considered as read; that the motion be debatable for 40 minutes, equally divided and controlled by the chairman and ranking minority member of the Committee on Ways and Means; and that after such debate, the motion be considered as adopted; and that the amendment I have placed at the desk be considered as read for the purpose of this request.

The Clerk read the title of the bill.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from California?

Mr. RANGEL. Mr. Speaker, reserving the right to object. Mr. Speaker, I would ask the gentleman from California to describe the substance of the bill before us today and how it differs from the bill that was passed by the Senate.

Mr. THOMAS. Mr. Speaker, will the gentleman yield?

Mr. RANGEL. I yield to the gentleman from California.

Mr. THOMAS. Mr. Speaker, perhaps in the explanation if we could start with the bill that originated in the House, which was an attempt to take current law that is available to service members and civilians overseas in a terrorist attack, which would provide income tax relief and estate tax relief, and we brought them to the gentle-

man's city to say that the New York area was, in fact, tantamount to a war zone and that the victims in that area should receive the same benefit as current law provides for people who are victims of terrorist acts overseas. That was the sum and substance of the bill we sent to the Senate.

For the 3 months that the Senate has had the bill, they examined it in a number of different ways. They added a particular death benefit for those individuals who were involved not only in the September 11 terrorist attacks, but also the Oklahoma City bombing of 6 years ago and for those individuals who, through no fault of their own, were victims from anthrax attacks.

In addition to that, they added a number of particular provisions dealing with charitable organizations, disaster relief payments, victims' compensation funds, and a number of other items.

What we did was examine those items and, where it was appropriate, offer a generic response. I will give the gentleman an example. Oftentimes, in dealing with disaster situations, disability trust funds will be established for individuals. The problem has been there has been no consistent approach to the way in which those disability funds would be treated from disaster to disaster. However, there is a typical response which occurs, but it has never been codified.

What we tried to do in this, working together, is to find those areas in terms of structured settlements, disability trusts, and similar arrangements that could be handled on a consistent basis, regardless of which disaster is involved, using this particular vehicle to assist us in that broad-based arrangement.

In addition to that, we have one additional amendment which examines the geographic area of New York that is a zone that is clearly described in the legislation and provide a number of tax measures to relieve those individuals, authorize the issue of tax-exempt private activity bonds, create a 30 percent bonus of depreciable property in the recovery zone as defined, a 10-year life on leaseholder build-outs for those individuals who own commercial property and want to rebuild it so that the vital aspects of New York City, which we visited, the restaurants and the shops and the others, can be restored as quickly as possible, and then extension of certain replacement period provisions which those of us on the Committee on Ways and Means know are extremely important in making sure that people make a decision quickly to move back in or to establish in the recovery zone to assist in the recovery of New York City.

Mr. RANGEL. Mr. Speaker, further reserving the right to object, could the chairman of the committee share with a member of the committee with whom he discussed the remedies for the problems that we face in this city? The chairman constantly referred to "we." Is there a particular group from the

City of New York that the gentleman met and discussed these issues with?

Mr. THOMAS. Mr. Speaker, if the gentleman will yield, I will tell the gentleman that I had the privilege at one time, for example, of accompanying the gentleman to Ground Zero, which I had not done, given the duties that we had here, and spent some time with a number of city business leaders that the gentleman and others were kind enough to bring together at the stock exchange location and, over lunch for several hours, listened to the particular concerns that those individuals had about the need and the way in which we needed to respond. I met with several New York City, New York State governmental teams, including the Mayor, and, of course, listening to on both sides of the aisle the members from the New York delegation, both from the city and the State.

In addition to that, as we all know, there are several other States that are just across the river and our colleagues from New Jersey and Pennsylvania had significant concerns as well. All of those came together culminating in this package today.

And I would be remiss if I did not thank the gentleman from New York (Mr. RANGEL) for his immediate and continuing offering and the members' willingness to accept his kind invitation to come and visit the city, albeit not in the way most of us had visited New York in the past on those wonderful trips that we used to have, but a very realistic trip to understand firsthand what had happened to the Big Apple.

Mr. RANGEL. Mr. Speaker, I withdraw my reservation, because it is so important to my city that we get as much relief as possible from both Houses. But it really never ceases to amaze me of the creative legislative ability of our distinguished chairman to bring together ideas and to pull them together without the input of the members of the committee, without hearings; it is just absolutely fascinating how the things that we have taken for granted that we do as a Congress or we do as a committee have been substituted by the inquiries that the Chair can make in the great City of New York and with people that have an interest in the City of New York.

So this is not the time to object; this is the time to move the consideration of this bill forward.

Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from California?

There was no objection.

The text of the Senate amendments is as follows:

Senate amendments:

Strike out all after the enacting clause and insert:

**SECTION 1. SHORT TITLE; ETC.**

(a) *SHORT TITLE.*—This Act may be cited as the "Victims of Terrorism Tax Relief Act of 2001".

(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

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

Sec. 1. Short title; etc.

**TITLE I—RELIEF PROVISIONS FOR VICTIMS OF TERRORIST ATTACKS**

- Sec. 101. Income and employment taxes of victims of terrorist attacks.
- Sec. 102. Estate tax reduction.
- Sec. 103. Payments by charitable organizations treated as exempt payments.
- Sec. 104. Exclusion of certain cancellations of indebtedness.
- Sec. 105. Treatment of certain structured settlement payments and disability trusts.
- Sec. 106. No impact on social security trust funds.

**TITLE II—GENERAL RELIEF FOR VICTIMS OF DISASTERS AND TERRORISTIC OR MILITARY ACTIONS**

- Sec. 201. Exclusion for disaster relief payments.
- Sec. 202. Authority to postpone certain deadlines and required actions.
- Sec. 203. Internal Revenue Service disaster response team.
- Sec. 204. Application of certain provisions to terroristic or military actions.
- Sec. 205. Clarification of due date for airline excise tax deposits.
- Sec. 206. Coordination with Air Transportation Safety and System Stabilization Act.

**TITLE III—DISCLOSURE OF TAX INFORMATION IN TERRORISM AND NATIONAL SECURITY INVESTIGATIONS**

- Sec. 301. Disclosure of tax information in terrorism and national security investigations.

**TITLE I—RELIEF PROVISIONS FOR VICTIMS OF TERRORIST ATTACKS**

**SEC. 101. INCOME AND EMPLOYMENT TAXES OF VICTIMS OF TERRORIST ATTACKS.**

(a) IN GENERAL.—Section 692 (relating to income taxes of members of Armed Forces on death) is amended by adding at the end the following new subsection:

“(d) INDIVIDUALS DYING AS A RESULT OF CERTAIN TERRORIST ATTACKS.—

“(1) IN GENERAL.—In the case of any individual who dies as a result of wounds or injury incurred as a result of the terrorist attacks against the United States on April 19, 1995, or September 11, 2001, or who dies as a result of illness incurred as a result of a terrorist attack involving anthrax occurring on or after September 11, 2001, and before January 1, 2002, any tax imposed by this subtitle shall not apply—

“(A) with respect to the taxable year in which falls the date of such individual’s death, and

“(B) with respect to any prior taxable year in the period beginning with the last taxable year ending before the taxable year in which the wounds, injury, or illness were incurred.

“(2) EXCEPTIONS.—

“(A) TAXATION OF CERTAIN BENEFITS.—Subject to such rules as the Secretary may prescribe, paragraph (1) shall not apply to the amount of any tax imposed by this subtitle which would be computed by only taking into account the items of income, gain, or other amounts attributable to—

“(i) amounts payable in the taxable year by reason of the death of an individual described in paragraph (1) which would have been payable in such taxable year if the death had occurred by reason of an event other than an event described in paragraph (1), or

“(ii) amounts payable in the taxable year which would not have been payable in such tax-

able year but for an action taken after the date of the applicable terrorist attack.

“(B) NO RELIEF FOR PERPETRATORS.—Paragraph (1) shall not apply with respect to any individual identified by the Attorney General to have been a participant or conspirator in any event described in paragraph (1), or a representative of such individual.”.

(b) REFUND OF OTHER TAXES PAID.—Section 692, as amended by subsection (a), is amended by adding at the end the following new subsection:

“(e) REFUND OF OTHER TAXES PAID.—In determining the amount of tax under this section to be credited or refunded as an overpayment with respect to any individual for any period, such amount shall be increased by an amount equal to the amount of taxes imposed and collected under chapter 21 and sections 3201(a), 3211(a)(1), and 3221(a) with respect to such individual for such period.”.

(c) CONFORMING AMENDMENTS.—

(1) Section 5(b)(1) is amended by inserting “and victims of certain terrorist attacks” before “on death”.

(2) Section 6013(f)(2)(B) is amended by inserting “and victims of certain terrorist attacks” before “on death”.

(d) CLERICAL AMENDMENTS.—

(1) The heading of section 692 is amended to read as follows:

“**SEC. 692. INCOME AND EMPLOYMENT TAXES OF MEMBERS OF ARMED FORCES AND VICTIMS OF CERTAIN TERRORIST ATTACKS ON DEATH.**”

(2) The item relating to section 692 in the table of sections for part II of subchapter J of chapter 1 is amended to read as follows:

“Sec. 692. Income and employment taxes of members of Armed Forces and victims of certain terrorist attacks on death.”.

(e) EFFECTIVE DATE; WAIVER OF LIMITATIONS.—

(1) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years ending before, on, or after September 11, 2001.

(2) WAIVER OF LIMITATIONS.—If refund or credit of any overpayment of tax resulting from the amendments made by this section is prevented at any time before the close of the 1-year period beginning on the date of the enactment of this Act by the operation of any law or rule of law (including res judicata), such refund or credit may nevertheless be made or allowed if claim therefor is filed before the close of such period.

**SEC. 102. ESTATE TAX REDUCTION.**

(a) IN GENERAL.—Section 2201 is amended to read as follows:

“**SEC. 2201. COMBAT ZONE-RELATED DEATHS OF MEMBERS OF THE ARMED FORCES AND DEATHS OF VICTIMS OF CERTAIN TERRORIST ATTACKS.**

“(a) IN GENERAL.—Unless the executor elects not to have this section apply, in applying section 2001 to the estate of a qualified decedent, the rate schedule set forth in subsection (c) shall be deemed to be the rate schedule set forth in section 2001(c).

“(b) QUALIFIED DECEDENT.—For purposes of this section, the term ‘qualified decedent’ means—

“(1) any citizen or resident of the United States dying while in active service of the Armed Forces of the United States, if such decedent—

“(A) was killed in action while serving in a combat zone, as determined under section 112(c), or

“(B) died as a result of wounds, disease, or injury suffered while serving in a combat zone (as determined under section 112(c)), and while in the line of duty, by reason of a hazard to which such decedent was subjected as an incident of such service, or

“(2) any individual who died as a result of wounds or injury incurred as a result of the ter-

rorist attacks against the United States on April 19, 1995, or September 11, 2001, or who died as a result of illness incurred as a result of a terrorist attack involving anthrax occurring on or after September 11, 2001, and before January 1, 2002. Paragraph (2) shall not apply with respect to any individual identified by the Attorney General to have been a participant or conspirator in any such terrorist attack, or a representative of such individual.

“(c) RATE SCHEDULE.—

“If the amount with respect to which the tentative tax to be computed is:	The tentative tax is:
Not over \$150,000 .....	1 percent of the amount by which such amount exceeds \$100,000.
Over \$150,000 but not over \$200,000.	\$500 plus 2 percent of the excess over \$150,000.
Over \$200,000 but not over \$300,000.	\$1,500 plus 3 percent of the excess over \$200,000.
Over \$300,000 but not over \$500,000.	\$4,500 plus 4 percent of the excess over \$300,000.
Over \$500,000 but not over \$700,000.	\$12,500 plus 5 percent of the excess over \$500,000.
Over \$700,000 but not over \$900,000.	\$22,500 plus 6 percent of the excess over \$700,000.
Over \$900,000 but not over \$1,100,000.	\$34,500 plus 7 percent of the excess over \$900,000.
Over \$1,100,000 but not over \$1,600,000.	\$48,500 plus 8 percent of the excess over \$1,100,000.
Over \$1,600,000 but not over \$2,100,000.	\$88,500 plus 9 percent of the excess over \$1,600,000.
Over \$2,100,000 but not over \$2,600,000.	\$133,500 plus 10 percent of the excess over \$2,100,000.
Over \$2,600,000 but not over \$3,100,000.	\$183,500 plus 11 percent of the excess over \$2,600,000.
Over \$3,100,000 but not over \$3,600,000.	\$238,500 plus 12 percent of the excess over \$3,100,000.
Over \$3,600,000 but not over \$4,100,000.	\$298,500 plus 13 percent of the excess over \$3,600,000.
Over \$4,100,000 but not over \$5,100,000.	\$363,500 plus 14 percent of the excess over \$4,100,000.
Over \$5,100,000 but not over \$6,100,000.	\$503,500 plus 15 percent of the excess over \$5,100,000.
Over \$6,100,000 but not over \$7,100,000.	\$653,500 plus 16 percent of the excess over \$6,100,000.
Over \$7,100,000 but not over \$8,100,000.	\$813,500 plus 17 percent of the excess over \$7,100,000.
Over \$8,100,000 but not over \$9,100,000.	\$983,500 plus 18 percent of the excess over \$8,100,000.
Over \$9,100,000 but not over \$10,100,000.	\$1,163,500 plus 19 percent of the excess over \$9,100,000.
Over \$10,100,000 .....	\$1,353,500 plus 20 percent of the excess over \$10,100,000.

“(d) DETERMINATION OF UNIFIED CREDIT.—In the case of an estate to which this section applies, subsection (a) shall not apply in determining the credit under section 2010.”.

(b) CONFORMING AMENDMENTS.—

(1) Section 2011 is amended by striking subsection (d) and by redesignating subsections (e), (f), and (g) as subsections (d), (e), and (f), respectively.

(2) Section 2053(d)(3)(B) is amended by striking “section 2011(e)” and inserting “section 2011(d)”.

(3) Paragraph (9) of section 532(c) of the Economic Growth and Tax Relief Reconciliation Act of 2001 is repealed.

(c) CLERICAL AMENDMENT.—The item relating to section 2201 in the table of sections for subchapter C of chapter 11 is amended to read as follows:

“Sec. 2201. Combat zone-related deaths of members of the Armed Forces and deaths of victims of certain terrorist attacks.”.

(d) EFFECTIVE DATE; WAIVER OF LIMITATIONS.—

(1) **EFFECTIVE DATE.**—The amendments made by this section shall apply to estates of decedents—

(A) dying on or after September 11, 2001, and  
(B) in the case of individuals dying as a result of the April 19, 1995, terrorist attack, dying on or after April 19, 1995.

(2) **WAIVER OF LIMITATIONS.**—If refund or credit of any overpayment of tax resulting from the amendments made by this section is prevented at any time before the close of the 1-year period beginning on the date of the enactment of this Act by the operation of any law or rule of law (including *res judicata*), such refund or credit may nevertheless be made or allowed if claim therefor is filed before the close of such period.

**SEC. 103. PAYMENTS BY CHARITABLE ORGANIZATIONS TREATED AS EXEMPT PAYMENTS.**

(a) **IN GENERAL.**—For purposes of the Internal Revenue Code of 1986—

(1) payments made by an organization described in section 501(c)(3) of such Code by reason of the death, injury, wounding, or illness of an individual incurred as the result of the terrorist attacks against the United States on September 11, 2001, or a terrorist attack involving anthrax occurring on or after September 11, 2001, and before January 1, 2002, shall be treated as related to the purpose or function constituting the basis for such organization's exemption under section 501 of such Code if such payments are made using an objective formula which is consistently applied, and

(2) in the case of a private foundation (as defined in section 509 of such Code), any payment described in paragraph (1) shall not be treated as made to a disqualified person for purposes of section 4941 of such Code.

(b) **EFFECTIVE DATE.**—This section shall apply to payments made on or after September 11, 2001.

**SEC. 104. EXCLUSION OF CERTAIN CANCELLATIONS OF INDEBTEDNESS.**

(a) **IN GENERAL.**—For purposes of the Internal Revenue Code of 1986—

(1) gross income shall not include any amount which (but for this section) would be includable in gross income by reason of the discharge (in whole or in part) of indebtedness of any taxpayer if the discharge is by reason of the death of an individual incurred as the result of the terrorist attacks against the United States on September 11, 2001, or a terrorist attack involving anthrax occurring on or after September 11, 2001, and before January 1, 2002, and

(2) return requirements under section 6050P of such Code shall not apply to any discharge described in paragraph (1).

(b) **EFFECTIVE DATE.**—This section shall apply to discharges made on or after September 11, 2001, and before January 1, 2002.

**SEC. 105. TREATMENT OF CERTAIN STRUCTURED SETTLEMENT PAYMENTS AND DISABILITY TRUSTS.**

(a) **IMPOSITION OF EXCISE TAX ON PERSONS WHO ACQUIRE CERTAIN STRUCTURED SETTLEMENT PAYMENTS IN FACTORING TRANSACTIONS.**—

(1) **IN GENERAL.**—Subtitle E is amended by adding at the end the following new chapter:

**“CHAPTER 55—STRUCTURED SETTLEMENT FACTORING TRANSACTIONS**

“Sec. 5891. Structured settlement factoring transactions for certain victims of terrorism.

**“SEC. 5891. STRUCTURED SETTLEMENT FACTORING TRANSACTIONS FOR CERTAIN VICTIMS OF TERRORISM.**

“(a) **IMPOSITION OF TAX.**—There is hereby imposed on any person who acquires directly or indirectly structured settlement payment rights in a structured settlement factoring transaction a tax equal to 40 percent of the factoring discount as determined under subsection (c)(4) with respect to such factoring transaction.

“(b) **EXCEPTION FOR CERTAIN APPROVED TRANSACTIONS.**—

“(1) **IN GENERAL.**—The tax under subsection (a) shall not apply in the case of a structured settlement factoring transaction in which the transfer of structured settlement payment rights is approved in advance in a qualified order.

“(2) **QUALIFIED ORDER.**—For purposes of this section, the term ‘qualified order’ means a final order, judgment, or decree which—

“(A) finds that the transfer described in paragraph (1)—

“(i) does not contravene any Federal or State statute or the order of any court or responsible administrative authority, and

“(ii) is in the best interest of the payee, taking into account the welfare and support of the payee's dependents, and

“(B) is issued—

“(i) under the authority of an applicable State statute by an applicable State court, or

“(ii) by the responsible administrative authority (if any) which has exclusive jurisdiction over the underlying action or proceeding which was resolved by means of the structured settlement.

“(3) **APPLICABLE STATE STATUTE.**—For purposes of this section, the term ‘applicable State statute’ means a statute providing for the entry of an order, judgment, or decree described in paragraph (2)(A) which is enacted by—

“(A) the State in which the payee of the structured settlement is domiciled, or

“(B) if there is no statute described in subparagraph (A), the State in which either the party to the structured settlement (including an assignee under a qualified assignment under section 130) or the person issuing the funding asset for the structured settlement is domiciled or has its principal place of business.

“(4) **APPLICABLE STATE COURT.**—For purposes of this section—

“(A) **IN GENERAL.**—The term ‘applicable State court’ means, with respect to any applicable State statute, a court of the State which enacted such statute.

“(B) **SPECIAL RULE.**—In the case of an applicable State statute described in paragraph (3)(B), such term also includes a court of the State in which the payee of the structured settlement is domiciled.

“(5) **QUALIFIED ORDER DISPOSITIVE.**—A qualified order shall be treated as dispositive for purposes of the exception under this subsection.

“(c) **DEFINITIONS.**—For purposes of this section—

“(1) **STRUCTURED SETTLEMENT.**—The term ‘structured settlement’ means an arrangement—

“(A) which is established by—

“(i) suit or agreement for the periodic payment of damages excludable from the gross income of the recipient under section 104(a)(2), or

“(ii) agreement for the periodic payment of compensation under any workers' compensation law excludable from the gross income of the recipient under section 104(a)(1), and

“(B) under which the periodic payments are—

“(i) of the character described in subparagraphs (A) and (B) of section 130(c)(2), and

“(ii) payable by a person who is a party to the suit or agreement or to the workers' compensation claim or by a person who has assumed the liability for such periodic payments under a qualified assignment in accordance with section 130.

“(2) **STRUCTURED SETTLEMENT PAYMENT RIGHTS.**—The term ‘structured settlement payment rights’ means rights to receive payments under a structured settlement relating to claims for death, wounding, injury, or illness as a result of the terrorist attacks against the United States on September 11, 2001, or a terrorist attack involving anthrax occurring on or after September 11, 2001, and before January 1, 2002.

“(3) **STRUCTURED SETTLEMENT FACTORING TRANSACTION.**—

“(A) **IN GENERAL.**—The term ‘structured settlement factoring transaction’ means a transfer of structured settlement payment rights (including portions of structured settlement payments) made for consideration by means of sale, assign-

ment, pledge, or other form of encumbrance or alienation for consideration.

“(B) **EXCEPTION.**—Such term shall not include—

“(i) the creation or perfection of a security interest in structured settlement payment rights under a blanket security agreement entered into with an insured depository institution in the absence of any action to redirect the structured settlement payments to such institution (or agent or successor thereof) or otherwise to enforce such blanket security interest as against the structured settlement payment rights, or

“(ii) a subsequent transfer of structured settlement payment rights acquired in a structured settlement factoring transaction.

“(4) **FACTORIZING DISCOUNT.**—The term ‘factoring discount’ means an amount equal to the excess of—

“(A) the aggregate undiscounted amount of structured settlement payments being acquired in the structured settlement factoring transaction, over

“(B) the total amount actually paid by the acquirer to the person from whom such structured settlement payments are acquired.

“(5) **RESPONSIBLE ADMINISTRATIVE AUTHORITY.**—The term ‘responsible administrative authority’ means the administrative authority which had jurisdiction over the underlying action or proceeding which was resolved by means of the structured settlement.

“(6) **STATE.**—The term ‘State’ includes the Commonwealth of Puerto Rico and any possession of the United States.

“(d) **COORDINATION WITH OTHER PROVISIONS.**—

“(1) **IN GENERAL.**—If the applicable requirements of sections 72, 104(a)(1), 104(a)(2), 130, and 461(h) were satisfied at the time the structured settlement involving structured settlement payment rights was entered into, the subsequent occurrence of a structured settlement factoring transaction shall not affect the application of the provisions of such sections to the parties to the structured settlement (including an assignee under a qualified assignment under section 130) in any taxable year.

“(2) **NO WITHHOLDING OF TAX.**—The provisions of section 3405 regarding withholding of tax shall not apply to the person making the payments in the event of a structured settlement factoring transaction.

“(3) **NO INFERENCE.**—No inference shall be drawn from the application of this subsection to only those payment rights described in subsection (c)(2).”

(2) **CLERICAL AMENDMENT.**—The table of chapters for subtitle E is amended by adding at the end the following new item:

“Chapter 55. Structured settlement factoring transactions.”

(3) **EFFECTIVE DATES.**—

(A) **IN GENERAL.**—The amendments made by this subsection (other than the provisions of section 5891(d) of the Internal Revenue Code of 1986, as added by this subsection) shall apply to structured settlement factoring transactions (as defined in section 5891(c) of such Code (as so added)) entered into on or after the 30th day following the date of the enactment of this Act.

(B) **CLARIFICATION OF EXISTING LAW.**—Section 5891(d) of such Code (as so added) shall apply to structured settlement factoring transactions (as defined in section 5891(c) of such Code (as so added)) entered into on or after such 30th day.

(C) **TRANSITION RULE.**—In the case of a structured settlement factoring transaction entered into during the period beginning on the 30th day following the date of the enactment of this Act and ending on July 1, 2002, no tax shall be imposed under section 5891(a) of such Code if—

(i) the structured settlement payee is domiciled in a State (or possession of the United States) which has not enacted a statute providing that the structured settlement factoring transaction is ineffective unless the transaction has been

approved by an order, judgment, or decree of a court (or where applicable, a responsible administrative authority) which finds that such transaction—

(I) does not contravene any Federal or State statute or the order of any court (or responsible administrative authority), and

(II) is in the best interest of the structured settlement payee or is appropriate in light of a hardship faced by the payee, and

(iii) the person acquiring the structured settlement payment rights discloses to the structured settlement payee in advance of the structured settlement factoring transaction the amounts and due dates of the payments to be transferred, the aggregate amount to be transferred, the consideration to be received by the structured settlement payee for the transferred payments, the discounted present value of the transferred payments (including the present value as determined in the manner described in section 7520 of such Code), and the expenses required under the terms of the structured settlement factoring transaction to be paid by the structured settlement payee or deducted from the proceeds of such transaction.

(b) **PERSONAL EXEMPTION DEDUCTION FOR CERTAIN DISABILITY TRUSTS.**—

(1) **IN GENERAL.**—Section 642(b) (relating to deduction for personal exemption) is amended—

(A) by striking “An estate” and inserting:

“(1) **IN GENERAL.**—An estate”, and

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

“(2) **FULL PERSONAL EXEMPTION AMOUNT FOR CERTAIN DISABILITY TRUSTS.**—Paragraph (1) shall not apply, and the deduction under section 151 shall apply, to any disability trust described in subsection (c)(2)(B)(iv), (d)(4)(A), or (d)(4)(C) of section 1917 of the Social Security Act (42 U.S.C. 1396p) for a beneficiary disabled as the result of a wounding, injury, or illness as a result of the terrorist attacks against the United States on April 19, 1995, or September 11, 2001, or a terrorist attack involving anthrax occurring on or after September 11, 2001, and before January 1, 2002.”.

(2) **EFFECTIVE DATE; WAIVER OF LIMITATIONS.**—

(A) **EFFECTIVE DATE.**—The amendments made by this subsection shall apply to taxable years ending before, on, or after September 11, 2001.

(B) **WAIVER OF LIMITATIONS.**—If refund or credit of any overpayment of tax resulting from the amendments made by this subsection is prevented at any time before the close of the 1-year period beginning on the date of the enactment of this Act by the operation of any law or rule of law (including res judicata), such refund or credit may nevertheless be made or allowed if claim therefor is filed before the close of such period.

**SEC. 106. NO IMPACT ON SOCIAL SECURITY TRUST FUND.**

(a) **IN GENERAL.**—Nothing in this title (or an amendment made by this title) shall be construed to alter or amend title II of the Social Security Act (or any regulation promulgated under that Act).

(b) **TRANSFERS.**—

(1) **ESTIMATE OF SECRETARY.**—The Secretary of the Treasury shall annually estimate the impact that the enactment of this Act has on the income and balances of the trust funds established under section 201 of the Social Security Act (42 U.S.C. 401).

(2) **TRANSFER OF FUNDS.**—If, under paragraph (1), the Secretary of the Treasury estimates that the enactment of this Act has a negative impact on the income and balances of the trust funds established under section 201 of the Social Security Act (42 U.S.C. 401), the Secretary shall transfer, not less frequently than quarterly, from the general revenues of the Federal Government an amount sufficient so as to ensure that the income and balances of such trust funds are not reduced as a result of the enactment of this Act.

## TITLE II—GENERAL RELIEF FOR VICTIMS OF DISASTERS AND TERRORISTIC OR MILITARY ACTIONS

### SEC. 201. EXCLUSION FOR DISASTER RELIEF PAYMENTS.

(a) **IN GENERAL.**—Part III of subchapter B of chapter 1 (relating to items specifically excluded from gross income) is amended by redesignating section 139 as section 140 and inserting after section 138 the following new section:

#### “SEC. 139. DISASTER RELIEF PAYMENTS.

“(a) **GENERAL RULE.**—Gross income shall not include—

“(1) any amount received as payment under section 406 of the Air Transportation Safety and System Stabilization Act, or

“(2) any amount received by an individual as a qualified disaster relief payment.

“(b) **QUALIFIED DISASTER RELIEF PAYMENT DEFINED.**—For purposes of this section, the term ‘qualified disaster relief payment’ means any amount paid to or for the benefit of an individual—

“(1) to reimburse or pay reasonable and necessary personal, family, living, or funeral expenses incurred as a result of a qualified disaster,

“(2) to reimburse or pay reasonable and necessary expenses incurred for the repair or rehabilitation of a personal residence or repair or replacement of its contents to the extent that the need for such repair, rehabilitation, or replacement is attributable to a qualified disaster,

“(3) by a person engaged in the furnishing or sale of transportation as a common carrier by reason of the death or personal physical injuries incurred as a result of a qualified disaster, or

“(4) if such amount is paid by a Federal, State, or local government, or agency or instrumentality thereof, in connection with a qualified disaster in order to promote the general welfare,

but only to the extent any expense compensated by such payment is not otherwise compensated for by insurance or otherwise.

“(c) **QUALIFIED DISASTER DEFINED.**—For purposes of this section, the term ‘qualified disaster’ means—

“(1) a disaster which results from a terroristic or military action (as defined in section 692(c)(2)),

“(2) a Presidentially declared disaster (as defined in section 1033(h)(3)),

“(3) a disaster which results from an accident involving a common carrier, or from any other event, which is determined by the Secretary to be of a catastrophic nature, or

“(4) with respect to amounts described in subsection (b)(4), a disaster which is determined by an applicable Federal, State, or local authority (as determined by the Secretary) to warrant assistance from the Federal, State, or local government or agency or instrumentality thereof.

“(d) **COORDINATION WITH EMPLOYMENT TAXES.**—For purposes of chapter 2 and subtitle C, a qualified disaster relief payment shall not be treated as net earnings from self-employment, wages, or compensation subject to tax.

“(e) **NO RELIEF FOR CERTAIN INDIVIDUALS.**—Subsection (a) shall not apply with respect to any individual identified by the Attorney General to have been a participant or conspirator in a terroristic action (as so defined), or a representative of such individual.”.

(b) **CONFORMING AMENDMENTS.**—The table of sections for part III of subchapter B of chapter 1 is amended by striking the item relating to section 139 and inserting the following new items:

“Sec. 139. Disaster relief payments.

“Sec. 140. Cross references to other Acts.”.

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to taxable years ending on or after September 11, 2001.

### SEC. 202. AUTHORITY TO POSTPONE CERTAIN DEADLINES AND REQUIRED ACTIONS.

(a) **EXPANSION OF AUTHORITY RELATING TO DISASTERS AND TERRORISTIC OR MILITARY AC-**

**TIONS.**—Section 7508A is amended to read as follows:

#### “SEC. 7508A. AUTHORITY TO POSTPONE CERTAIN DEADLINES BY REASON OF PRESIDENTIALLY DECLARED DISASTER OR TERRORISTIC OR MILITARY ACTIONS.

“(a) **IN GENERAL.**—In the case of a taxpayer determined by the Secretary to be affected by a Presidentially declared disaster (as defined in section 1033(h)(3)) or a terroristic or military action (as defined in section 692(c)(2)), the Secretary may specify a period of up to one year that may be disregarded in determining, under the internal revenue laws, in respect of any tax liability of such taxpayer—

“(1) whether any of the acts described in paragraph (1) of section 7508(a) were performed within the time prescribed therefor (determined without regard to extension under any other provision of this subtitle for periods after the date (determined by the Secretary) of such disaster or action),

“(2) the amount of any interest, penalty, additional amount, or addition to the tax for periods after such date, and

“(3) the amount of any credit or refund.

“(b) **SPECIAL RULES REGARDING PENSIONS, ETC.**—In the case of a pension or other employee benefit plan, or any sponsor, administrator, participant, beneficiary, or other person with respect to such plan, affected by a disaster or action described in subsection (a), the Secretary may specify a period of up to one year which may be disregarded in determining the date by which any action is required or permitted to be completed under this title. No plan shall be treated as failing to be operated in accordance with the terms of the plan solely as the result of disregarding any period by reason of the preceding sentence.

“(c) **SPECIAL RULES FOR OVERPAYMENTS.**—The rules of section 7508(b) shall apply for purposes of this section.”.

(b) **CLARIFICATION OF SCOPE OF ACTS SECRETARY MAY POSTPONE.**—Section 7508(a)(1)(K) (relating to time to be disregarded) is amended by striking “in regulations prescribed under this section”.

(c) **CONFORMING AMENDMENTS TO ERISA.**—

(1) Part 5 of subtitle B of title I of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1131 et seq.) is amended by adding at the end the following new section:

#### “SEC. 518. AUTHORITY TO POSTPONE CERTAIN DEADLINES BY REASON OF PRESIDENTIALLY DECLARED DISASTER OR TERRORISTIC OR MILITARY ACTIONS.

“In the case of a pension or other employee benefit plan, or any sponsor, administrator, participant, beneficiary, or other person with respect to such plan, affected by a Presidentially declared disaster (as defined in section 1033(h)(3) of the Internal Revenue Code of 1986) or a terroristic or military action (as defined in section 692(c)(2) of such Code), the Secretary may, notwithstanding any other provision of law, prescribe, by notice or otherwise, a period of up to one year which may be disregarded in determining the date by which any action is required or permitted to be completed under this Act. No plan shall be treated as failing to be operated in accordance with the terms of the plan solely as the result of disregarding any period by reason of the preceding sentence.”.

(2) Section 4002 of Employee Retirement Income Security Act of 1974 (29 U.S.C. 1302) is amended by adding at the end the following new subsection:

“(i) **SPECIAL RULES REGARDING DISASTERS, ETC.**—In the case of a pension or other employee benefit plan, or any sponsor, administrator, participant, beneficiary, or other person with respect to such plan, affected by a Presidentially declared disaster (as defined in section 1033(h)(3) of the Internal Revenue Code of 1986) or a terroristic or military action (as defined in

section 692(c)(2) of such Code), the corporation may, notwithstanding any other provision of law, prescribe, by notice or otherwise, a period of up to one year which may be disregarded in determining the date by which any action is required or permitted to be completed under this Act. No plan shall be treated as failing to be operated in accordance with the terms of the plan solely as the result of disregarding any period by reason of the preceding sentence.”.

(d) **ADDITIONAL CONFORMING AMENDMENTS.**—

(1) Section 6404 is amended—

(A) by striking subsection (h),

(B) by redesignating subsection (i) as subsection (h), and

(C) by adding at the end the following new subsection:

“(i) **CROSS REFERENCE.**—

“**For authority of the Secretary to abate certain amounts by reason of Presidentially declared disaster or terrorist or military action, see section 7508A.**”.

(2) Section 6081(c) is amended to read as follows:

“(c) **CROSS REFERENCES.**—

“**For time for performing certain acts postponed by reason of war, see section 7508, and by reason of Presidentially declared disaster or terrorist or military action, see section 7508A.**”.

(3) Section 6161(d) is amended by adding at the end the following new paragraph:

“(3) **POSTPONEMENT OF CERTAIN ACTS.**—

“**For time for performing certain acts postponed by reason of war, see section 7508, and by reason of Presidentially declared disaster or terrorist or military action, see section 7508A.**”.

(d) **CLERICAL AMENDMENTS.**—

(1) The item relating to section 7508A in the table of sections for chapter 77 is amended to read as follows:

“Sec. 7508A. Authority to postpone certain deadlines by reason of Presidentially declared disaster or terrorist or military actions.”.

(2) The table of contents for the Employee Retirement Income Security Act of 1974 is amended by inserting after the item relating to section 517 the following new item:

“Sec. 518. Authority to postpone certain deadlines by reason of Presidentially declared disaster or terrorist or military actions.”.

(e) **EFFECTIVE DATE.**—The amendments made by this section shall apply to disasters and terrorist or military actions occurring on or after September 11, 2001, with respect to any action of the Secretary of the Treasury, the Secretary of Labor, or the Pension Benefit Guaranty Corporation occurring on or after the date of the enactment of this Act.

**SEC. 203. INTERNAL REVENUE SERVICE DISASTER RESPONSE TEAM.**

(a) **IN GENERAL.**—Section 7508A, as amended by section 202(a), is amended by adding at the end the following new subsection:

“(d) **DUTIES OF DISASTER RESPONSE TEAM.**—The Secretary shall establish as a permanent office in the national office of the Internal Revenue Service a disaster response team which, in coordination with the Federal Emergency Management Agency, shall assist taxpayers in clarifying and resolving Federal tax matters associated with or resulting from any Presidentially declared disaster (as defined in section 1033(h)(3)) or a terrorist or military action (as defined in section 692(c)(2)).”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall take effect on the date of the enactment of this Act.

**SEC. 204. APPLICATION OF CERTAIN PROVISIONS TO TERRORISTIC OR MILITARY ACTIONS.**

(a) **EXCLUSION FOR DEATH BENEFITS.**—Section 101 (relating to certain death benefits) is amend-

ed by adding at the end the following new subsection:

“(i) **CERTAIN EMPLOYEE DEATH BENEFITS PAYABLE BY REASON OF DEATH FROM TERRORISTIC OR MILITARY ACTIONS.**—

“(1) **IN GENERAL.**—Gross income does not include amounts which are received (whether in a single sum or otherwise) if such amounts are paid by an employer by reason of the death of an employee incurred as a result of a terrorist or military action (as defined in section 692(c)(2)).

“(2) **NO RELIEF FOR CERTAIN INDIVIDUALS.**—Paragraph (1) shall not apply with respect to any individual identified by the Attorney General to have been a participant or conspirator in a terrorist action (as so defined), or a representative of such individual.

“(3) **TREATMENT OF SELF-EMPLOYED INDIVIDUALS.**—For purposes of this subsection, the term ‘employee’ includes a self-employed person (as described in section 401(c)(1)).”.

(b) **DISABILITY INCOME.**—Section 104(a)(5) (relating to compensation for injuries or sickness) is amended by striking “a violent attack” and all that follows through the period and inserting “a terrorist or military action (as defined in section 692(c)(2)).”.

(c) **EXEMPTION FROM INCOME TAX FOR CERTAIN MILITARY OR CIVILIAN EMPLOYEES.**—Section 692(c) is amended—

(1) by striking “outside the United States” in paragraph (1), and

(2) by striking “SUSTAINED OVERSEAS” in the heading.

(d) **EFFECTIVE DATE.**—The amendments made by this section shall apply to taxable years ending on or after September 11, 2001.

**SEC. 205. CLARIFICATION OF DUE DATE FOR AIRLINE EXCISE TAX DEPOSITS.**

(a) **IN GENERAL.**—Paragraph (3) of section 301(a) of the Air Transportation Safety and System Stabilization Act (Public Law 107-42) is amended to read as follows:

“(3) **AIRLINE-RELATED DEPOSIT.**—For purposes of this subsection, the term ‘airline-related deposit’ means any deposit of taxes imposed by subchapter C of chapter 33 of such Code (relating to transportation by air).”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall take effect as if included in section 301 of the Air Transportation Safety and System Stabilization Act (Public Law 107-42).

**SEC. 206. COORDINATION WITH AIR TRANSPORTATION SAFETY AND SYSTEM STABILIZATION ACT.**

No reduction in Federal tax liability by reason of any provision of, or amendment made by, this Act shall be considered as being received from a collateral source for purposes of section 402(4) of the Air Transportation Safety and System Stabilization Act (Public Law 107-42).

**TITLE III—DISCLOSURE OF TAX INFORMATION IN TERRORISM AND NATIONAL SECURITY INVESTIGATIONS**

**SEC. 301. DISCLOSURE OF TAX INFORMATION IN TERRORISM AND NATIONAL SECURITY INVESTIGATIONS.**

(a) **DISCLOSURE WITHOUT A REQUEST OF INFORMATION RELATING TO TERRORIST ACTIVITIES, ETC.**—Paragraph (3) of section 6103(i) (relating to disclosure of return information to apprise appropriate officials of criminal activities or emergency circumstances) is amended by adding at the end the following new subparagraph:

“(C) **TERRORIST ACTIVITIES, ETC.**—

“(i) **IN GENERAL.**—Except as provided in paragraph (6), the Secretary may disclose in writing return information (other than taxpayer return information) that may be related to a terrorist incident, threat, or activity to the extent necessary to apprise the head of the appropriate Federal law enforcement agency responsible for investigating or responding to such terrorist incident, threat, or activity.

The head of the agency may disclose such return information to officers and employees of

such agency to the extent necessary to investigate or respond to such terrorist incident, threat, or activity.

“(ii) **DISCLOSURE TO THE DEPARTMENT OF JUSTICE.**—Returns and taxpayer return information may also be disclosed to the Attorney General under clause (i) to the extent necessary for, and solely for use in preparing, an application under paragraph (7)(D).

“(iii) **TAXPAYER IDENTITY.**—For purposes of this subparagraph, a taxpayer’s identity shall not be treated as taxpayer return information.

“(iv) **TERMINATION.**—No disclosure may be made under this subparagraph after December 31, 2003.”.

(b) **DISCLOSURE UPON REQUEST OF INFORMATION RELATING TO TERRORIST ACTIVITIES, ETC.**—Subsection (i) of section 6103 (relating to disclosure to Federal officers or employees for administration of Federal laws not relating to tax administration) is amended by redesignating paragraph (7) as paragraph (8) and by inserting after paragraph (6) the following new paragraph:

“(7) **DISCLOSURE UPON REQUEST OF INFORMATION RELATING TO TERRORIST ACTIVITIES, ETC.**—

“(A) **DISCLOSURE TO LAW ENFORCEMENT AGENCIES.**—

“(i) **IN GENERAL.**—Except as provided in paragraph (6), upon receipt by the Secretary of a written request which meets the requirements of clause (ii), the Secretary may disclose return information (other than taxpayer return information) to officers and employees of any Federal law enforcement agency who are personally and directly engaged in the response to or investigation of any terrorist incident, threat, or activity.

“(ii) **DISCLOSURE TO STATE AND LOCAL LAW ENFORCEMENT AGENCIES.**—The head of any Federal law enforcement agency may disclose return information obtained under clause (i) to officers and employees of any State or local law enforcement agency but only if such agency is part of a team with the Federal law enforcement agency in such response or investigation and such information is disclosed only to officers and employees who are personally and directly engaged in such response or investigation.

“(iii) **REQUIREMENTS.**—A request meets the requirements of this clause if—

“(I) the request is made by the head of any Federal law enforcement agency (or his delegate) involved in the response to or investigation of any terrorist incident, threat, or activity, and

“(II) the request sets forth the specific reason or reasons why such disclosure may be relevant to a terrorist incident, threat, or activity.

“(iv) **LIMITATION ON USE OF INFORMATION.**—Information disclosed under this subparagraph shall be solely for the use of the officers and employees to whom such information is disclosed in such response or investigation.

“(B) **DISCLOSURE TO INTELLIGENCE AGENCIES.**—

“(i) **IN GENERAL.**—Except as provided in paragraph (6), upon receipt by the Secretary of a written request which meets the requirements of clause (ii), the Secretary may disclose return information (other than taxpayer return information) to those officers and employees of the Department of Justice, the Department of the Treasury, and other Federal intelligence agencies who are personally and directly engaged in the collection or analysis of intelligence and counterintelligence information or investigation concerning any terrorist incident, threat, or activity. For purposes of the preceding sentence, the information disclosed under the preceding sentence shall be solely for the use of such officers and employees in such investigation, collection, or analysis.

“(ii) **REQUIREMENTS.**—A request meets the requirements of this subparagraph if the request—

“(I) is made by an individual described in clause (iii), and

“(II) sets forth the specific reason or reasons why such disclosure may be relevant to a terrorist incident, threat, or activity.

“(iii) REQUESTING INDIVIDUALS.—An individual described in this subparagraph is an individual—

“(I) who is an officer or employee of the Department of Justice or the Department of the Treasury who is appointed by the President with the advice and consent of the Senate or who is the Director of the United States Secret Service, and

“(II) who is responsible for the collection and analysis of intelligence and counterintelligence information concerning any terrorist incident, threat, or activity.

“(iv) TAXPAYER IDENTITY.—For purposes of this subparagraph, a taxpayer’s identity shall not be treated as taxpayer return information.

“(C) DISCLOSURE UNDER EX PARTE ORDERS.—

“(i) IN GENERAL.—Except as provided in paragraph (6), any return or return information with respect to any specified taxable period or periods shall, pursuant to and upon the grant of an ex parte order by a Federal district court judge or magistrate under clause (ii), be open (but only to the extent necessary as provided in such order) to inspection by, or disclosure to, officers and employees of any Federal law enforcement agency or Federal intelligence agency who are personally and directly engaged in any investigation, response to, or analysis of intelligence and counterintelligence information concerning any terrorist incident, threat, or activity. Return or return information opened pursuant to the preceding sentence shall be solely for the use of such officers and employees in the investigation, response, or analysis, and in any judicial, administrative, or grand jury proceedings, pertaining to such terrorist incident, threat, or activity.

“(ii) APPLICATION FOR ORDER.—The Attorney General, the Deputy Attorney General, the Associate Attorney General, any Assistant Attorney General, or any United States attorney may authorize an application to a Federal district court judge or magistrate for the order referred to in clause (i). Upon such application, such judge or magistrate may grant such order if he determines on the basis of the facts submitted by the applicant that—

“(I) there is reasonable cause to believe, based upon information believed to be reliable, that the return or return information may be relevant to a matter relating to such terrorist incident, threat, or activity, and

“(II) the return or return information is sought exclusively for use in a Federal investigation, analysis, or proceeding concerning any terrorist incident, threat, or activity.

“(D) SPECIAL RULE FOR EX PARTE DISCLOSURE BY THE IRS.—

“(i) IN GENERAL.—Except as provided in paragraph (6), the Secretary may authorize an application to a Federal district court judge or magistrate for the order referred to in subparagraph (C)(i). Upon such application, such judge or magistrate may grant such order if he determines on the basis of the facts submitted by the applicant that the requirements of subparagraph (C)(ii)(I) are met.

“(ii) LIMITATION ON USE OF INFORMATION.—Information disclosed under clause (i)—

“(I) may be disclosed only to the extent necessary to apprise the head of the appropriate Federal law enforcement agency responsible for investigating or responding to a terrorist incident, threat, or activity, and

“(II) shall be solely for use in a Federal investigation, analysis, or proceeding concerning any terrorist incident, threat, or activity. The head of such Federal agency may disclose such information to officers and employees of such agency to the extent necessary to investigate or respond to such terrorist incident, threat, or activity.

“(E) TERMINATION.—No disclosure may be made under this paragraph after December 31, 2003.”

(c) CONFORMING AMENDMENTS.—

(1) Section 6103(a)(2) is amended by inserting “any local law enforcement agency receiving in-

formation under subsection (i)(7)(A),” after “State.”

(2) Section 6103(b) is amended by adding at the end the following new paragraph:

“(11) TERRORIST INCIDENT, THREAT, OR ACTIVITY.—The term ‘terrorist incident, threat, or activity’ means an incident, threat, or activity involving an act of domestic terrorism (as defined in section 2331(5) of title 18, United States Code) or international terrorism (as defined in section 2331(1) of such title).”

(3) The heading of section 6103(i)(3) is amended by inserting “OR TERRORIST” after “CRIMINAL”.

(4) Paragraph (4) of section 6103(i) is amended—

(A) in subparagraph (A) by inserting “or (7)(C)” after “paragraph (1)”, and

(B) in subparagraph (B) by striking “or (3)(A)” and inserting “(3)(A) or (C), or (7)”.

(5) Paragraph (6) of section 6103(i) is amended—

(A) by striking “(3)(A)” and inserting “(3)(A) or (C)”, and

(B) by striking “or (7)” and inserting “(7), or (8)”.

(6) Section 6103(p)(3) is amended—

(A) in subparagraph (A) by striking

“(7)(A)(ii)” and inserting “(8)(A)(ii)”, and

(B) in subparagraph (C) by striking “(i)(3)(B)(i)” and inserting “(i)(3)(B)(i) or (7)(A)(ii)”.

(7) Section 6103(p)(4) is amended—

(A) in the matter preceding subparagraph (A)—

(i) by striking “or (5),” the first place it appears and inserting “(5), or (7),” and

(ii) by striking “(i)(3)(B)(i),” and inserting “(i)(3)(B)(i) or (7)(A)(ii),” and

(B) in subparagraph (F)(ii) by striking “or (5),” the first place it appears and inserting “(5) or (7),”.

(8) Section 6103(p)(6)(B)(i) is amended by striking “(i)(7)(A)(ii)” and inserting “(i)(8)(A)(ii)”.

(9) Section 6105(b) is amended—

(A) by striking “or” at the end of paragraph (2),

(B) by striking “paragraphs (1) or (2)” in paragraph (3) and inserting “paragraph (1), (2), or (3)”,

(C) by redesignating paragraph (3) as paragraph (4), and

(D) by inserting after paragraph (2) the following new paragraph:

“(3) to the disclosure of tax convention information on the same terms as return information may be disclosed under paragraph (3)(C) or (7) of section 6103(i), except that in the case of tax convention information provided by a foreign government, no disclosure may be made under this paragraph without the written consent of the foreign government, or”.

(10) Section 7213(a)(2) is amended by striking “(i)(3)(B)(i),” and inserting “(i)(3)(B)(i) or (7)(A)(ii),”.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to disclosures made on or after the date of the enactment of this Act.

Amend the title so as to read: “An Act to amend the Internal Revenue Code of 1986 to provide tax relief for victims of the terrorist attacks against the United States, and for other purposes.”.

MOTION OFFERED BY MR. THOMAS

Mr. THOMAS. Mr. Speaker, pursuant to the order of the House, I offer a motion.

The SPEAKER pro tempore. The Clerk will designate the motion.

The text of the motion is as follows:

Mr. THOMAS moves that:

In lieu of the matter proposed to be inserted by the Senate amendment to the text of the bill, insert the following:

**SECTION 1. SHORT TITLE; ETC.**

(a) SHORT TITLE.—This Act may be cited as the “Victims of Terrorism Tax Relief Act of 2001”.

(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

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

Sec. 1. Short title; etc.

**TITLE I—RELIEF PROVISIONS FOR VICTIMS OF TERRORIST ATTACKS**

Sec. 101. Income taxes of victims of terrorist attacks.

Sec. 102. Exclusion of certain death benefits.

Sec. 103. Estate tax reduction.

Sec. 104. Payments by charitable organizations treated as exempt payments.

**TITLE II—OTHER RELIEF PROVISIONS**

Sec. 201. Exclusion for disaster relief payments.

Sec. 202. Authority to postpone certain deadlines and required actions.

Sec. 203. Application of certain provisions to terroristic or military actions.

Sec. 204. Clarification of due date for airline excise tax deposits.

Sec. 205. Treatment of certain structured settlement payments.

Sec. 206. Personal exemption deduction for certain disability trusts.

**TITLE III—TAX BENEFITS FOR AREA OF NEW YORK CITY DAMAGED IN TERRORIST ATTACKS ON SEPTEMBER 11, 2001**

Sec. 301. Tax benefits for area of New York City damaged in terrorist attacks on September 11, 2001.

**TITLE IV—DISCLOSURE OF TAX INFORMATION IN TERRORISM AND NATIONAL SECURITY INVESTIGATIONS**

Sec. 401. Disclosure of tax information in terrorism and national security investigations.

**TITLE V—NO IMPACT ON SOCIAL SECURITY TRUST FUNDS**

Sec. 501. No impact on social security trust funds.

**TITLE I—RELIEF PROVISIONS FOR VICTIMS OF TERRORIST ATTACKS**

**SEC. 101. INCOME TAXES OF VICTIMS OF TERRORIST ATTACKS.**

(a) IN GENERAL.—Section 692 (relating to income taxes of members of Armed Forces on death) is amended by adding at the end the following new subsection:

“(d) INDIVIDUALS DYING AS A RESULT OF CERTAIN ATTACKS.—

“(1) IN GENERAL.—In the case of a specified terrorist victim, any tax imposed by this chapter shall not apply—

“(A) with respect to the taxable year in which falls the date of death, and

“(B) with respect to any prior taxable year in the period beginning with the last taxable year ending before the taxable year in which the wounds, injury, or illness referred to in paragraph (2) were incurred.

“(2) SPECIFIED TERRORIST VICTIM.—For purposes of this subsection, the term ‘specified terrorist victim’ means any decedent—

“(A) who dies as a result of wounds or injury incurred as a result of the terrorist attacks against the United States on April 19, 1995, or September 11, 2001, or

“(B) who dies as a result of illness incurred as a result of an attack involving anthrax occurring on or after September 11, 2001, and before January 1, 2002.

Such term shall not include any individual identified by the Attorney General to have been a participant or conspirator in any such

attack or a representative of such an individual.”

(b) CONFORMING AMENDMENTS.—

(1) Section 5(b)(1) is amended by inserting “and victims of certain terrorist attacks” before “on death”.

(2) Section 6013(f)(2)(B) is amended by inserting “and victims of certain terrorist attacks” before “on death”.

(c) CLERICAL AMENDMENTS.—

(1) The heading of section 692 is amended to read as follows:

**“SEC. 692. INCOME TAXES OF MEMBERS OF ARMED FORCES AND VICTIMS OF CERTAIN TERRORIST ATTACKS ON DEATH.”**

(2) The item relating to section 692 in the table of sections for part II of subchapter J of chapter 1 is amended to read as follows:

“Sec. 692. Income taxes of members of Armed Forces and victims of certain terrorist attacks on death.”

(d) EFFECTIVE DATE; WAIVER OF LIMITATIONS.—

(1) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years ending before, on, or after September 11, 2001.

(2) WAIVER OF LIMITATIONS.—If refund or credit of any overpayment of tax resulting from the amendments made by this section is prevented at any time before the close of the 1-year period beginning on the date of the enactment of this Act by the operation of any law or rule of law (including res judicata), such refund or credit may nevertheless be made or allowed if claim therefor is filed before the close of such period.

**SEC. 102. EXCLUSION OF CERTAIN DEATH BENEFITS.**

(a) IN GENERAL.—Section 101 (relating to certain death benefits) is amended by adding at the end the following new subsection:

“(i) CERTAIN EMPLOYEE DEATH BENEFITS PAYABLE BY REASON OF DEATH OF CERTAIN TERRORIST VICTIMS.—

“(1) IN GENERAL.—Gross income does not include amounts (whether in a single sum or otherwise) paid by an employer by reason of the death of an employee who is a specified terrorist victim (as defined in section 692(d)(2)).

“(2) LIMITATION.—Subject to such rules as the Secretary may prescribe, paragraph (1) shall not apply to amounts which would have been payable if the individual had died other than as a specified terrorist victim (as so defined).

“(3) TREATMENT OF SELF-EMPLOYED INDIVIDUALS.—For purposes of paragraph (1), the term ‘employee’ includes a self-employed individual (as defined in section 401(c)(1)).”

(b) EFFECTIVE DATE; WAIVER OF LIMITATIONS.—

(1) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years ending before, on, or after September 11, 2001.

(2) WAIVER OF LIMITATIONS.—If refund or credit of any overpayment of tax resulting from the amendments made by this section is prevented at any time before the close of the 1-year period beginning on the date of the enactment of this Act by the operation of any law or rule of law (including res judicata), such refund or credit may nevertheless be made or allowed if claim therefor is filed before the close of such period.

**SEC. 103. ESTATE TAX REDUCTION.**

(a) IN GENERAL.—Section 2201 is amended to read as follows:

**“SEC. 2201. COMBAT ZONE-RELATED DEATHS OF MEMBERS OF THE ARMED FORCES AND DEATHS OF VICTIMS OF CERTAIN TERRORIST ATTACKS.**

“(a) IN GENERAL.—Unless the executor elects not to have this section apply, in ap-

plying sections 2001 and 2101 to the estate of a qualified decedent, the rate schedule set forth in subsection (c) shall be deemed to be the rate schedule set forth in section 2001(c).

“(b) QUALIFIED DECEDENT.—For purposes of this section, the term ‘qualified decedent’ means—

“(1) any citizen or resident of the United States dying while in active service of the Armed Forces of the United States, if such decedent—

“(A) was killed in action while serving in a combat zone, as determined under section 112(c), or

“(B) died as a result of wounds, disease, or injury suffered while serving in a combat zone (as determined under section 112(c)), and while in the line of duty, by reason of a hazard to which such decedent was subjected as an incident of such service, and

“(2) any specified terrorist victim (as defined in section 692(d)(2)).

“(c) RATE SCHEDULE.—

“If the amount with respect to which the tentative tax to be computed is:

Not over \$150,000 .....	1 percent of the amount by which such amount exceeds \$100,000.
Over \$150,000 but not over \$200,000.	\$500 plus 2 percent of the excess over \$150,000.
Over \$200,000 but not over \$300,000.	\$1,500 plus 3 percent of the excess over \$200,000.
Over \$300,000 but not over \$500,000.	\$4,500 plus 4 percent of the excess over \$300,000.
Over \$500,000 but not over \$700,000.	\$12,500 plus 5 percent of the excess over \$500,000.
Over \$700,000 but not over \$900,000.	\$22,500 plus 6 percent of the excess over \$700,000.
Over \$900,000 but not over \$1,100,000.	\$34,500 plus 7 percent of the excess over \$900,000.
Over \$1,100,000 but not over \$1,600,000.	\$48,500 plus 8 percent of the excess over \$1,100,000.
Over \$1,600,000 but not over \$2,100,000.	\$88,500 plus 9 percent of the excess over \$1,600,000.
Over \$2,100,000 but not over \$2,600,000.	\$133,500 plus 10 percent of the excess over \$2,100,000.
Over \$2,600,000 but not over \$3,100,000.	\$183,500 plus 11 percent of the excess over \$2,600,000.
Over \$3,100,000 but not over \$3,600,000.	\$238,500 plus 12 percent of the excess over \$3,100,000.
Over \$3,600,000 but not over \$4,100,000.	\$298,500 plus 13 percent of the excess over \$3,600,000.
Over \$4,100,000 but not over \$5,100,000.	\$363,500 plus 14 percent of the excess over \$4,100,000.
Over \$5,100,000 but not over \$6,100,000.	\$503,500 plus 15 percent of the excess over \$5,100,000.
Over \$6,100,000 but not over \$7,100,000.	\$653,500 plus 16 percent of the excess over \$6,100,000.
Over \$7,100,000 but not over \$8,100,000.	\$813,500 plus 17 percent of the excess over \$7,100,000.
Over \$8,100,000 but not over \$9,100,000.	\$983,500 plus 18 percent of the excess over \$8,100,000.
Over \$9,100,000 but not over \$10,100,000.	\$1,163,500 plus 19 percent of the excess over \$9,100,000.
Over \$10,100,000 .....	\$1,353,500 plus 20 percent of the excess over \$10,100,000.

“(d) DETERMINATION OF UNIFIED CREDIT.—In the case of an estate to which this section applies, subsection (a) shall not apply in determining the credit under section 2010.”

(b) CONFORMING AMENDMENTS.—

(1) Section 2011 is amended by striking subsection (d) and by redesignating subsections (e), (f), and (g) as subsections (d), (e), and (f), respectively.

(2) Section 2053(d)(3)(B) is amended by striking “section 2011(e)” and inserting “section 2011(d)”.

(3) Paragraph (9) of section 532(c) of the Economic Growth and Tax Relief Reconciliation Act of 2001 is repealed.

(c) CLERICAL AMENDMENT.—The item relating to section 2201 in the table of sections for subchapter C of chapter 11 is amended to read as follows:

“Sec. 2201. Combat zone-related deaths of members of the Armed Forces and deaths of victims of certain terrorist attacks.”

(d) EFFECTIVE DATE; WAIVER OF LIMITATIONS.—

(1) EFFECTIVE DATE.—The amendments made by this section shall apply to estates of decedents—

(A) dying on or after September 11, 2001, and

(B) in the case of individuals dying as a result of the April 19, 1995, terrorist attack, dying on or after April 19, 1995.

(2) WAIVER OF LIMITATIONS.—If refund or credit of any overpayment of tax resulting from the amendments made by this section is prevented at any time before the close of the 1-year period beginning on the date of the enactment of this Act by the operation of any law or rule of law (including res judicata), such refund or credit may nevertheless be made or allowed if claim therefor is filed before the close of such period.

**SEC. 104. PAYMENTS BY CHARITABLE ORGANIZATIONS TREATED AS EXEMPT PAYMENTS.**

(a) IN GENERAL.—For purposes of the Internal Revenue Code of 1986—

(1) payments made by an organization described in section 501(c)(3) of such Code by reason of the death, injury, wounding, or illness of an individual incurred as the result of the terrorist attacks against the United States on September 11, 2001, or an attack involving anthrax occurring on or after September 11, 2001, and before January 1, 2002, shall be treated as related to the purpose or function constituting the basis for such organization’s exemption under section 501 of such Code if such payments are made—

(A) in good faith using a reasonable and objective formula which is consistently applied, and

(B) in furtherance of public rather than private purposes, and

(2) in the case of a private foundation (as defined in section 509 of such Code), any payment described in paragraph (1) shall not be treated as made to a disqualified person for purposes of section 4941 of such Code.

(b) EFFECTIVE DATE.—This section shall apply to payments made on or after September 11, 2001.

**TITLE II—OTHER RELIEF PROVISIONS**

**SEC. 201. EXCLUSION FOR DISASTER RELIEF PAYMENTS.**

(a) IN GENERAL.—Part III of subchapter B of chapter 1 (relating to items specifically excluded from gross income) is amended by redesignating section 139 as section 140 and inserting after section 138 the following new section:

**“SEC. 139. DISASTER RELIEF PAYMENTS.**

“(a) GENERAL RULE.—Gross income shall not include any amount received by an individual as a qualified disaster relief payment.

“(b) QUALIFIED DISASTER RELIEF PAYMENT DEFINED.—For purposes of this section, the term ‘qualified disaster relief payment’ means any amount paid to or for the benefit of an individual—

“(1) to reimburse or pay reasonable and necessary personal, family, living, or funeral expenses incurred as a result of a qualified disaster,

“(2) to reimburse or pay reasonable and necessary expenses incurred for the repair or rehabilitation of a personal residence or repair or replacement of its contents to the extent that the need for such repair, rehabilitation, or replacement is attributable to a qualified disaster,

“(3) by a person engaged in the furnishing or sale of transportation as a common carrier by reason of the death or personal physical injuries incurred as a result of a qualified disaster, or

“(4) if such amount is paid by a Federal, State, or local government, or agency or instrumentality thereof, in connection with a qualified disaster in order to promote the general welfare,

but only to the extent any expense compensated by such payment is not otherwise compensated for by insurance or otherwise.

“(c) QUALIFIED DISASTER DEFINED.—For purposes of this section, the term ‘qualified disaster’ means—

“(1) a disaster which results from a terrorist or military action (as defined in section 692(c)(2)),

“(2) a Presidentially declared disaster (as defined in section 1033(h)(3)),

“(3) a disaster which results from an accident involving a common carrier, or from any other event, which is determined by the Secretary to be of a catastrophic nature, or

“(4) with respect to amounts described in subsection (b)(4), a disaster which is determined by an applicable Federal, State, or local authority (as determined by the Secretary) to warrant assistance from the Federal, State, or local government or agency or instrumentality thereof.

“(d) COORDINATION WITH EMPLOYMENT TAXES.—For purposes of chapter 2 and subtitle C, a qualified disaster relief payment shall not be treated as net earnings from self-employment, wages, or compensation subject to tax.

“(e) NO RELIEF FOR CERTAIN INDIVIDUALS.—Subsections (a) and (f) shall not apply with respect to any individual identified by the Attorney General to have been a participant or conspirator in a terrorist action (as so defined), or a representative of such individual.

“(f) EXCLUSION OF CERTAIN ADDITIONAL PAYMENTS.—Gross income shall not include any amount received as payment under section 406 of the Air Transportation Safety and System Stabilization Act.”

(b) CONFORMING AMENDMENTS.—The table of sections for part III of subchapter B of chapter 1 is amended by striking the item relating to section 139 and inserting the following new items:

“Sec. 139. Disaster relief payments.

“Sec. 140. Cross references to other Acts.”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years ending on or after September 11, 2001.

**SEC. 202. AUTHORITY TO POSTPONE CERTAIN DEADLINES AND REQUIRED ACTIONS.**

(a) EXPANSION OF AUTHORITY RELATING TO DISASTERS AND TERRORISTIC OR MILITARY ACTIONS.—Section 7508A is amended to read as follows:

**“SEC. 7508A. AUTHORITY TO POSTPONE CERTAIN DEADLINES BY REASON OF PRESIDENTIALLY DECLARED DISASTER OR TERRORISTIC OR MILITARY ACTIONS.**

“(a) IN GENERAL.—In the case of a taxpayer determined by the Secretary to be affected by a Presidentially declared disaster (as defined in section 1033(h)(3)) or a terrorist or military action (as defined in section 692(c)(2)), the Secretary may specify a period of up to one year that may be disregarded in determining, under the internal revenue laws, in respect of any tax liability of such taxpayer—

“(1) whether any of the acts described in paragraph (1) of section 7508(a) were performed within the time prescribed therefor (determined without regard to extension under any other provision of this subtitle for

periods after the date (determined by the Secretary) of such disaster or action),

“(2) the amount of any interest, penalty, additional amount, or addition to the tax for periods after such date, and

“(3) the amount of any credit or refund.

“(b) SPECIAL RULES REGARDING PENSIONS, ETC.—In the case of a pension or other employee benefit plan, or any sponsor, administrator, participant, beneficiary, or other person with respect to such plan, affected by a disaster or action described in subsection (a), the Secretary may specify a period of up to one year which may be disregarded in determining the date by which any action is required or permitted to be completed under this title. No plan shall be treated as failing to be operated in accordance with the terms of the plan solely as the result of disregarding any period by reason of the preceding sentence.

“(c) SPECIAL RULES FOR OVERPAYMENTS.—The rules of section 7508(b) shall apply for purposes of this section.”.

(b) CLARIFICATION OF SCOPE OF ACTS SECRETARY MAY POSTPONE.—Section 7508(a)(1)(K) (relating to time to be disregarded) is amended by striking “in regulations prescribed under this section”.

(c) CONFORMING AMENDMENTS TO ERISA.—

(1) Part 5 of subtitle B of title I of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1131 et seq.) is amended by adding at the end the following new section:

**“SEC. 518. AUTHORITY TO POSTPONE CERTAIN DEADLINES BY REASON OF PRESIDENTIALLY DECLARED DISASTER OR TERRORISTIC OR MILITARY ACTIONS.**

“In the case of a pension or other employee benefit plan, or any sponsor, administrator, participant, beneficiary, or other person with respect to such plan, affected by a Presidentially declared disaster (as defined in section 1033(h)(3) of the Internal Revenue Code of 1986) or a terrorist or military action (as defined in section 692(c)(2) of such Code), the Secretary may, notwithstanding any other provision of law, prescribe, by notice or otherwise, a period of up to one year which may be disregarded in determining the date by which any action is required or permitted to be completed under this Act. No plan shall be treated as failing to be operated in accordance with the terms of the plan solely as the result of disregarding any period by reason of the preceding sentence.”.

(2) Section 4002 of Employee Retirement Income Security Act of 1974 (29 U.S.C. 1302) is amended by adding at the end the following new subsection:

“(i) SPECIAL RULES REGARDING DISASTERS, ETC.—In the case of a pension or other employee benefit plan, or any sponsor, administrator, participant, beneficiary, or other person with respect to such plan, affected by a Presidentially declared disaster (as defined in section 1033(h)(3) of the Internal Revenue Code of 1986) or a terrorist or military action (as defined in section 692(c)(2) of such Code), the corporation may, notwithstanding any other provision of law, prescribe, by notice or otherwise, a period of up to one year which may be disregarded in determining the date by which any action is required or permitted to be completed under this Act. No plan shall be treated as failing to be operated in accordance with the terms of the plan solely as the result of disregarding any period by reason of the preceding sentence.”.

(d) ADDITIONAL CONFORMING AMENDMENTS.—

(1) Section 6404 is amended—

(A) by striking subsection (h),

(B) by redesignating subsection (i) as subsection (h), and

(C) by adding at the end the following new subsection:

“(i) CROSS REFERENCE.—

**“For authority to suspend running of interest, etc. by reason of Presidentially declared disaster or terrorist or military action, see section 7508A.”.**

(2) Section 6081(c) is amended to read as follows:

“(c) CROSS REFERENCES.—

**“For time for performing certain acts postponed by reason of war, see section 7508, and by reason of Presidentially declared disaster or terrorist or military action, see section 7508A.”.**

(3) Section 6161(d) is amended by adding at the end the following new paragraph:

“(3) POSTPONEMENT OF CERTAIN ACTS.—

**“For time for performing certain acts postponed by reason of war, see section 7508, and by reason of Presidentially declared disaster or terrorist or military action, see section 7508A.”.**

(d) CLERICAL AMENDMENTS.—

(1) The item relating to section 7508A in the table of sections for chapter 77 is amended to read as follows:

“Sec. 7508A. Authority to postpone certain deadlines by reason of Presidentially declared disaster or terrorist or military actions.”.

(2) The table of contents for the Employee Retirement Income Security Act of 1974 is amended by inserting after the item relating to section 517 the following new item:

“Sec. 518. Authority to postpone certain deadlines by reason of Presidentially declared disaster or terrorist or military actions.”.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to disasters and terrorist or military actions occurring on or after September 11, 2001, with respect to any action of the Secretary of the Treasury, the Secretary of Labor, or the Pension Benefit Guaranty Corporation occurring on or after the date of the enactment of this Act.

**SEC. 203. APPLICATION OF CERTAIN PROVISIONS TO TERRORISTIC OR MILITARY ACTIONS.**

(a) DISABILITY INCOME.—Section 104(a)(5) (relating to compensation for injuries or sickness) is amended by striking “a violent attack” and all that follows through the period and inserting “a terrorist or military action (as defined in section 692(c)(2)).”.

(b) EXEMPTION FROM INCOME TAX FOR CERTAIN MILITARY OR CIVILIAN EMPLOYEES.—Section 692(c) is amended—

(1) by striking “outside the United States” in paragraph (1), and

(2) by striking “SUSTAINED OVERSEAS” in the heading.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years ending on or after September 11, 2001.

**SEC. 204. CLARIFICATION OF DUE DATE FOR AIRLINE EXCISE TAX DEPOSITS.**

(a) IN GENERAL.—Paragraph (3) of section 301(a) of the Air Transportation Safety and System Stabilization Act (Public Law 107-42) is amended to read as follows:

“(3) AIRLINE-RELATED DEPOSIT.—For purposes of this subsection, the term ‘airline-related deposit’ means any deposit of taxes imposed by subchapter C of chapter 33 of such Code (relating to transportation by air).”.

(b) EFFECTIVE DATE.—The amendment made by this section shall take effect as if included in section 301 of the Air Transportation Safety and System Stabilization Act (Public Law 107-42).



**SEC. 205. TREATMENT OF CERTAIN STRUCTURED SETTLEMENT PAYMENTS.**

(a) IN GENERAL.—Subtitle E is amended by adding at the end the following new chapter:

**“CHAPTER 55—STRUCTURED SETTLEMENT FACTORING TRANSACTIONS**

“Sec. 5891. Structured settlement factoring transactions.

**“SEC. 5891. STRUCTURED SETTLEMENT FACTORING TRANSACTIONS.**

“(a) IMPOSITION OF TAX.—There is hereby imposed on any person who acquires directly or indirectly structured settlement payment rights in a structured settlement factoring transaction a tax equal to 40 percent of the factoring discount as determined under subsection (c)(4) with respect to such factoring transaction.

“(b) EXCEPTION FOR CERTAIN APPROVED TRANSACTIONS.—

“(1) IN GENERAL.—The tax under subsection (a) shall not apply in the case of a structured settlement factoring transaction in which the transfer of structured settlement payment rights is approved in advance in a qualified order.

“(2) QUALIFIED ORDER.—For purposes of this section, the term ‘qualified order’ means a final order, judgment, or decree which—

“(A) finds that the transfer described in paragraph (1)—

“(i) does not contravene any Federal or State statute or the order of any court or responsible administrative authority, and

“(ii) is in the best interest of the payee, taking into account the welfare and support of the payee’s dependents, and

“(B) is issued—

“(i) under the authority of an applicable State statute by an applicable State court, or

“(ii) by the responsible administrative authority (if any) which has exclusive jurisdiction over the underlying action or proceeding which was resolved by means of the structured settlement.

“(3) APPLICABLE STATE STATUTE.—For purposes of this section, the term ‘applicable State statute’ means a statute providing for the entry of an order, judgment, or decree described in paragraph (2)(A) which is enacted by—

“(A) the State in which the payee of the structured settlement is domiciled, or

“(B) if there is no statute described in subparagraph (A), the State in which either the party to the structured settlement (including an assignee under a qualified assignment under section 130) or the person issuing the funding asset for the structured settlement is domiciled or has its principal place of business.

“(4) APPLICABLE STATE COURT.—For purposes of this section—

“(A) IN GENERAL.—The term ‘applicable State court’ means, with respect to any applicable State statute, a court of the State which enacted such statute.

“(B) SPECIAL RULE.—In the case of an applicable State statute described in paragraph (3)(B), such term also includes a court of the State in which the payee of the structured settlement is domiciled.

“(5) QUALIFIED ORDER DISPOSITIVE.—A qualified order shall be treated as dispositive for purposes of the exception under this subsection.

“(c) DEFINITIONS.—For purposes of this section—

“(1) STRUCTURED SETTLEMENT.—The term ‘structured settlement’ means an arrangement—

“(A) which is established by—

“(i) suit or agreement for the periodic payment of damages excludable from the gross income of the recipient under section 104(a)(2), or

“(ii) agreement for the periodic payment of compensation under any workers’ compensation law excludable from the gross income of the recipient under section 104(a)(1), and

“(B) under which the periodic payments are—

“(i) of the character described in subparagraphs (A) and (B) of section 130(c)(2), and

“(ii) payable by a person who is a party to the suit or agreement or to the workers’ compensation claim or by a person who has assumed the liability for such periodic payments under a qualified assignment in accordance with section 130.

“(2) STRUCTURED SETTLEMENT PAYMENT RIGHTS.—The term ‘structured settlement payment rights’ means rights to receive payments under a structured settlement.

“(3) STRUCTURED SETTLEMENT FACTORING TRANSACTION.—

“(A) IN GENERAL.—The term ‘structured settlement factoring transaction’ means a transfer of structured settlement payment rights (including portions of structured settlement payments) made for consideration by means of sale, assignment, pledge, or other form of encumbrance or alienation for consideration.

“(B) EXCEPTION.—Such term shall not include—

“(i) the creation or perfection of a security interest in structured settlement payment rights under a blanket security agreement entered into with an insured depository institution in the absence of any action to redirect the structured settlement payments to such institution (or agent or successor thereof) or otherwise to enforce such blanket security interest as against the structured settlement payment rights, or

“(ii) a subsequent transfer of structured settlement payment rights acquired in a structured settlement factoring transaction.

“(4) FACTORING DISCOUNT.—The term ‘factoring discount’ means an amount equal to the excess of—

“(A) the aggregate undiscounted amount of structured settlement payments being acquired in the structured settlement factoring transaction, over

“(B) the total amount actually paid by the acquirer to the person from whom such structured settlement payments are acquired.

“(5) RESPONSIBLE ADMINISTRATIVE AUTHORITY.—The term ‘responsible administrative authority’ means the administrative authority which had jurisdiction over the underlying action or proceeding which was resolved by means of the structured settlement.

“(6) STATE.—The term ‘State’ includes the Commonwealth of Puerto Rico and any possession of the United States.

“(d) COORDINATION WITH OTHER PROVISIONS.—

“(1) IN GENERAL.—If the applicable requirements of sections 72, 104(a)(1), 104(a)(2), 130, and 461(h) were satisfied at the time the structured settlement involving structured settlement payment rights was entered into, the subsequent occurrence of a structured settlement factoring transaction shall not affect the application of the provisions of such sections to the parties to the structured settlement (including an assignee under a qualified assignment under section 130) in any taxable year.

“(2) NO WITHHOLDING OF TAX.—The provisions of section 3405 regarding withholding of tax shall not apply to the person making the payments in the event of a structured settlement factoring transaction.”

(b) CLERICAL AMENDMENT.—The table of chapters for subtitle E is amended by adding at the end the following new item:

“Chapter 55. Structured settlement factoring transactions.”

(c) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section (other than the provisions of section 5891(d) of the Internal Revenue Code of 1986, as added by this section) shall apply to structured settlement factoring transactions (as defined in section 5891(c) of such Code (as so added)) entered into on or after the 30th day following the date of the enactment of this Act.

(2) CLARIFICATION OF EXISTING LAW.—Section 5891(d) of such Code (as so added) shall apply to structured settlement factoring transactions (as defined in section 5891(c) of such Code (as so added)) entered into on or after such 30th day.

(3) TRANSITION RULE.—In the case of a structured settlement factoring transaction entered into during the period beginning on the 30th day following the date of the enactment of this Act and ending on July 1, 2002, no tax shall be imposed under section 5891(a) of such Code if—

(A) the structured settlement payee is domiciled in a State (or possession of the United States) which has not enacted a statute providing that the structured settlement factoring transaction is ineffective unless the transaction has been approved by an order, judgment, or decree of a court (or where applicable, a responsible administrative authority) which finds that such transaction—

(i) does not contravene any Federal or State statute or the order of any court (or responsible administrative authority), and

(ii) is in the best interest of the structured settlement payee or is appropriate in light of a hardship faced by the payee, and

(B) the person acquiring the structured settlement payment rights discloses to the structured settlement payee in advance of the structured settlement factoring transaction the amounts and due dates of the payments to be transferred, the aggregate amount to be transferred, the consideration to be received by the structured settlement payee for the transferred payments, the discounted present value of the transferred payments (including the present value as determined in the manner described in section 7520 of such Code), and the expenses required under the terms of the structured settlement factoring transaction to be paid by the structured settlement payee or deducted from the proceeds of such transaction.

**SEC. 206. PERSONAL EXEMPTION DEDUCTION FOR CERTAIN DISABILITY TRUSTS.**

(a) IN GENERAL.—Subsection (b) of section 642 (relating to deduction for personal exemption) is amended to read as follows:

“(b) DEDUCTION FOR PERSONAL EXEMPTION.—

“(1) ESTATES.—An estate shall be allowed a deduction of \$600.

“(2) TRUSTS.—

“(A) IN GENERAL.—Except as otherwise provided in this paragraph, a trust shall be allowed a deduction of \$100.

“(B) TRUSTS DISTRIBUTING INCOME CURRENTLY.—A trust which, under its governing instrument, is required to distribute all of its income currently shall be allowed a deduction of \$300.

“(C) DISABILITY TRUSTS.—

“(i) IN GENERAL.—A qualified disability trust shall be allowed a deduction equal to the exemption amount under section 151(d), determined—

“(I) by treating such trust as an individual described in section 151(d)(3)(C)(iii), and

“(II) by applying section 67(e) (without the reference to section 642(b)) for purposes of determining the adjusted gross income of the trust.

“(ii) QUALIFIED DISABILITY TRUST.—For purposes of clause (i), the term ‘qualified disability trust’ means any trust if—

“(I) such trust is a disability trust described in subsection (c)(2)(B)(iv), (d)(4)(A), or (d)(4)(C) of section 1917 of the Social Security Act (42 U.S.C. 1396p), and

“(II) all of the beneficiaries of the trust as of the close of the taxable year are determined to have been disabled (within the meaning of section 1614(a)(3) of the Social Security Act, 42 U.S.C. 1382c(a)(3)) for some portion of such year.

A trust shall not fail to meet the requirements of subclause (II) merely because the corpus of the trust may revert to a person who is not so disabled after the trust ceases to have any beneficiary who is so disabled.”

“(3) DEDUCTIONS IN LIEU OF PERSONAL EXEMPTION.—The deductions allowed by this subsection shall be in lieu of the deductions allowed under section 151 (relating to deduction for personal exemption).”

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years ending on or after September 11, 2001.

**TITLE III—TAX BENEFITS FOR AREA OF NEW YORK CITY DAMAGED IN TERRORIST ATTACKS ON SEPTEMBER 11, 2001**

**SEC. 301. TAX BENEFITS FOR AREA OF NEW YORK CITY DAMAGED IN TERRORIST ATTACKS ON SEPTEMBER 11, 2001.**

(a) IN GENERAL.—Chapter 1 is amended by adding at the end the following new subchapter:

**“Subchapter Y—New York Liberty Zone Benefits**

“Sec. 1400L. Tax benefits for New York Liberty Zone.

**“SEC. 1400L. TAX BENEFITS FOR NEW YORK LIBERTY ZONE.**

“(a) SPECIAL ALLOWANCE FOR CERTAIN PROPERTY ACQUIRED AFTER SEPTEMBER 10, 2001.—

“(1) ADDITIONAL ALLOWANCE.—In the case of any qualified New York Liberty Zone property—

“(A) the depreciation deduction provided by section 167(a) for the taxable year in which such property is placed in service shall include an allowance equal to 30 percent of the adjusted basis of such property, and

“(B) the adjusted basis of the qualified New York Liberty Zone property shall be reduced by the amount of such deduction before computing the amount otherwise allowable as a depreciation deduction under this chapter for such taxable year and any subsequent taxable year.

“(2) QUALIFIED NEW YORK LIBERTY ZONE PROPERTY.—For purposes of this subsection—

“(A) IN GENERAL.—The term ‘qualified New York Liberty Zone property’ means property—

“(i) (I) to which section 168 applies (other than railroad grading and tunnel bores), or

“(II) which is computer software (as defined in section 167(f)(1)(B)) for which a deduction is allowable under section 167(a) without regard to this subsection,

“(ii) substantially all of the use of which is in the New York Liberty Zone and is in the active conduct of a trade or business by the taxpayer in such Zone,

“(iii) the original use of which in the New York Liberty Zone commences with the taxpayer after September 10, 2001, and

“(iv) which is acquired by the taxpayer by purchase (as defined in section 179(d)) after September 10, 2001, and placed in service by the taxpayer on or before the termination date, but only if no written binding contract for the acquisition was in effect before September 11, 2001.

The term ‘termination date’ means December 31, 2006 (December 31, 2009, in the case of nonresidential real property and residential rental property).

“(B) EXCEPTIONS.—

“(i) ALTERNATIVE DEPRECIATION PROPERTY.—The term ‘qualified New York Liberty Zone property’ shall not include any property to which the alternative depreciation system under section 168(g) applies, determined—

“(I) without regard to paragraph (7) of section 168(g) (relating to election to have system apply), and

“(II) after application of section 280F(b) (relating to listed property with limited business use).

“(ii) QUALIFIED LEASEHOLD IMPROVEMENT PROPERTY.—Such term shall not include qualified leasehold improvement property.

“(iii) ELECTION OUT.—If a taxpayer makes an election under this clause with respect to any class of property for any taxable year, this subsection shall not apply to all property in such class placed in service during such taxable year.

“(C) SPECIAL RULES RELATING TO ORIGINAL USE.—

“(i) SELF-CONSTRUCTED PROPERTY.—In the case of a taxpayer manufacturing, constructing, or producing property for the taxpayer’s own use, the requirements of clause (iv) of subparagraph (A) shall be treated as met if the taxpayer begins manufacturing, constructing, or producing the property after September 10, 2001, and before the termination date.

“(ii) SALE-LEASEBACKS.—For purposes of subparagraph (A)(iii), if property—

“(I) is originally placed in service after September 10, 2001, by a person, and

“(II) sold and leased back by such person within 3 months after the date such property was originally placed in service,

such property shall be treated as originally placed in service not earlier than the date on which such property is used under the lease-back referred to in subclause (II).

“(D) ALLOWANCE AGAINST ALTERNATIVE MINIMUM TAX.—The deduction allowed by this subsection shall be allowed in determining alternative minimum taxable income under section 55.

“(b) 5-YEAR RECOVERY PERIOD FOR DEPRECIATION OF CERTAIN LEASEHOLD IMPROVEMENTS.—

“(1) IN GENERAL.—For purposes of section 168, the term ‘5-year property’ includes any qualified leasehold improvement property.

“(2) QUALIFIED LEASEHOLD IMPROVEMENT PROPERTY.—For purposes of this section—

“(A) IN GENERAL.—The term ‘qualified leasehold improvement property’ means any improvement to an interior portion of a building which is nonresidential real property if—

“(i) such building is located in the New York Liberty Zone,

“(ii) such improvement is made under or pursuant to a lease (as defined in section 168(h)(7))—

“(I) by the lessee (or any sublessee) of such portion, or

“(II) by the lessor of such portion,

“(iii) such portion is to be occupied exclusively by the lessee (or any sublessee) of such portion,

“(iv) such improvement is placed in service—

“(I) after September 10, 2001, and more than 3 years after the date the building was first placed in service, and

“(II) before January 1, 2007, and

“(v) no written binding contract for such improvement was in effect before September 11, 2001.

“(B) CERTAIN IMPROVEMENTS NOT INCLUDED.—Such term shall not include any improvement for which the expenditure is attributable to—

“(i) the enlargement of the building,

“(ii) any elevator or escalator,

“(iii) any structural component benefiting a common area, and

“(iv) the internal structural framework of the building.

“(C) DEFINITIONS AND SPECIAL RULES.—For purposes of this paragraph—

“(i) COMMITMENT TO LEASE TREATED AS LEASE.—A commitment to enter into a lease shall be treated as a lease, and the parties to such commitment shall be treated as lessor and lessee, respectively.

“(ii) RELATED PERSONS.—A lease between related persons shall not be considered a lease. For purposes of the preceding sentence, the term ‘related persons’ means—

“(I) members of an affiliated group (as defined in section 1504), and

“(II) persons having a relationship described in subsection (b) of section 267; except that, for purposes of this clause, the phrase ‘80 percent or more’ shall be substituted for the phrase ‘more than 50 percent’ each place it appears in such subsection.

“(D) IMPROVEMENTS MADE BY LESSOR.—

“(i) IN GENERAL.—In the case of an improvement made by the person who was the lessor of such improvement when such improvement was placed in service, such improvement shall be qualified leasehold improvement property (if at all) only so long as such improvement is held by such person.

“(ii) EXCEPTION FOR CHANGES IN FORM OF BUSINESS.—Property shall not cease to be qualified leasehold improvement property under clause (i) by reason of—

“(I) death,

“(II) a transaction to which section 381(a) applies, or

“(III) a mere change in the form of conducting the trade or business so long as the property is retained in such trade or business as qualified leasehold improvement property and the taxpayer retains a substantial interest in such trade or business.

“(3) REQUIREMENT TO USE STRAIGHT LINE METHOD.—The applicable depreciation method under section 168 shall be the straight line method in the case of qualified leasehold improvement property.

“(4) 9-YEAR RECOVERY PERIOD UNDER ALTERNATIVE SYSTEM.—For purposes of section 168(g), the class life of qualified leasehold improvement property shall be 9 years.

“(c) INCREASE IN EXPENSING UNDER SECTION 179.—

“(1) IN GENERAL.—For purposes of section 179—

“(A) the limitation under section 179(b)(1) shall be increased by the lesser of—

“(i) \$35,000, or

“(ii) the cost of section 179 property which is qualified New York Liberty Zone property placed in service during the taxable year, and

“(B) the amount taken into account under section 179(b)(2) with respect to any section 179 property which is qualified New York Liberty Zone property shall be 50 percent of the cost thereof.

“(2) RECAPTURE.—Rules similar to the rules under section 179(d)(10) shall apply with respect to any qualified New York Liberty Zone property which ceases to be used in the New York Liberty Zone.

“(d) TAX-EXEMPT BOND FINANCING.—

“(1) IN GENERAL.—For purposes of this title, any qualified New York Liberty Bond shall be treated as an exempt facility bond.

“(2) QUALIFIED NEW YORK LIBERTY BOND.—For purposes of this subsection, the term ‘qualified New York Liberty Bond’ means any bond issued as part of an issue if—

“(A) 95 percent or more of the net proceeds (as defined in section 150(a)(3)) of such issue are to be used for qualified project costs,

“(B) such bond is issued by the State of New York or any political subdivision thereof.

“(C) the Governor of New York designates such bond for purposes of this section, and

“(D) such bond is issued during calendar year 2002, 2003, or 2004.

“(3) LIMITATION ON AMOUNT OF BONDS DESIGNATED.—The maximum aggregate face amount of bonds which may be designated under this subsection shall not exceed \$15,000,000,000.

“(4) QUALIFIED PROJECT COSTS.—For purposes of this subsection—

“(A) IN GENERAL.—The term ‘qualified project costs’ means the cost of acquisition, construction, reconstruction, and renovation of—

“(i) nonresidential real property and residential rental property (including fixed tenant improvements associated with such property) located in the New York Liberty Zone, and

“(ii) public utility property located in the New York Liberty Zone.

“(B) COSTS FOR CERTAIN PROPERTY OUTSIDE ZONE INCLUDED.—Such term includes the cost of acquisition, construction, reconstruction, and renovation of nonresidential real property (including fixed tenant improvements associated with such property) located outside the New York Liberty Zone but within the City of New York, New York, if such property is part of a project which consists of at least 100,000 square feet of usable office or other commercial space located in a single building or multiple adjacent buildings.

“(C) LIMITATIONS.—Such term shall not include—

“(i) costs for property located outside the New York Liberty Zone to the extent such costs exceed \$7,000,000,000,

“(ii) costs with respect to residential rental property to the extent such costs exceed \$3,000,000,000, and

“(iii) costs with respect to property used for retail sales of tangible property to the extent such costs exceed \$1,500,000,000.

“(D) MOVABLE FIXTURES AND EQUIPMENT.—Such term shall not include costs with respect to movable fixtures and equipment.

“(5) SPECIAL RULES.—In applying this title to any qualified New York Liberty Bond, the following modifications shall apply:

“(A) Section 146 (relating to volume cap) shall not apply.

“(B) Section 147(c) (relating to limitation on use for land acquisition) shall be determined by reference to the aggregate authorized face amount of all qualified New York Liberty Bonds rather than the net proceeds of each issue.

“(C) Section 147(d) (relating to acquisition of existing property not permitted) shall be applied by substituting ‘50 per cent’ for ‘15 per cent’ each place it appears.

“(D) Section 148(f)(4)(C) (relating to exception from rebate for certain proceeds to be used to finance construction expenditures) shall apply to construction proceeds of bonds issued under this section.

“(E) Financing provided by such a bond shall not be taken into account under section 168(g)(5)(A) with respect to property substantially all of the use of which is in the New York Liberty Zone and is in the active conduct of a trade or business by the taxpayer in such Zone.

“(F) Repayments of principal on financing provided by the issue—

“(i) may not be used to provide financing, and

“(ii) are used not later than the close of the 1st semiannual period beginning after the date of the repayment to redeem bonds which are part of such issue.

The requirement of clause (ii) shall be treated as met with respect to amounts received

within 10 years after the date of issuance of the issue (or, in the case of refunding bond, the date of issuance of the original bond) if such amounts are used by the close of such 10 years to redeem bonds which are part of such issue.

“(G) Section 57(a)(5) shall not apply.

“(6) SEPARATE ISSUE TREATMENT OF PORTIONS OF AN ISSUE.—This subsection shall not apply to the portion of the proceeds of an issue which (if issued as a separate issue) would be treated as a qualified bond or as a bond that is not a private activity bond (determined without regard to subsection (a)), if the issuer elects to so treat such portion.

“(e) EXTENSION OF REPLACEMENT PERIOD FOR NONRECOGNITION OF GAIN.—Notwithstanding subsections (g) and (h) of section 1033, clause (i) of section 1033(a)(2)(B) shall be applied by substituting ‘5 years’ for ‘2 years’ with respect to property which is compulsorily or involuntarily converted as a result of the terrorist attacks on September 11, 2001, in the New York Liberty Zone but only if substantially all of the use of the replacement property is in the City of New York, New York.

“(f) NEW YORK LIBERTY ZONE.—For purposes of this section, the term ‘New York Liberty Zone’ means the area located on or south of Canal Street, East Broadway (east of its intersection with Canal Street), or Grand Street (east of its intersection with East Broadway) in the Borough of Manhattan in the City of New York, New York.”

(b) CLERICAL AMENDMENT.—The table of subchapters for chapter 1 is amended by adding at the end the following new item:

“Subchapter Y. New York Liberty Zone Benefits.”

#### TITLE IV—DISCLOSURE OF TAX INFORMATION IN TERRORISM AND NATIONAL SECURITY INVESTIGATIONS

##### SEC. 401. DISCLOSURE OF TAX INFORMATION IN TERRORISM AND NATIONAL SECURITY INVESTIGATIONS.

(a) DISCLOSURE WITHOUT A REQUEST OF INFORMATION RELATING TO TERRORIST ACTIVITIES, ETC.—Paragraph (3) of section 6103(i) (relating to disclosure of return information to apprise appropriate officials of criminal activities or emergency circumstances) is amended by adding at the end the following new subparagraph:

“(C) TERRORIST ACTIVITIES, ETC.—

“(i) IN GENERAL.—Except as provided in paragraph (6), the Secretary may disclose in writing return information (other than taxpayer return information) that may be related to a terrorist incident, threat, or activity to the extent necessary to apprise the head of the appropriate Federal law enforcement agency responsible for investigating or responding to such terrorist incident, threat, or activity. The head of the agency may disclose such return information to officers and employees of such agency to the extent necessary to investigate or respond to such terrorist incident, threat, or activity.

“(ii) DISCLOSURE TO THE DEPARTMENT OF JUSTICE.—Returns and taxpayer return information may also be disclosed to the Attorney General under clause (i) to the extent necessary for, and solely for use in preparing, an application under paragraph (7)(D).

“(iii) TAXPAYER IDENTITY.—For purposes of this subparagraph, a taxpayer’s identity shall not be treated as taxpayer return information.

“(iv) TERMINATION.—No disclosure may be made under this subparagraph after December 31, 2003.”

(b) DISCLOSURE UPON REQUEST OF INFORMATION RELATING TO TERRORIST ACTIVITIES, ETC.—Subsection (i) of section 6103 (relating to disclosure to Federal officers or employ-

ees for administration of Federal laws not relating to tax administration) is amended by redesignating paragraph (7) as paragraph (8) and by inserting after paragraph (6) the following new paragraph:

“(7) DISCLOSURE UPON REQUEST OF INFORMATION RELATING TO TERRORIST ACTIVITIES, ETC.—

“(A) DISCLOSURE TO LAW ENFORCEMENT AGENCIES.—

“(i) IN GENERAL.—Except as provided in paragraph (6), upon receipt by the Secretary of a written request which meets the requirements of clause (iii), the Secretary may disclose return information (other than taxpayer return information) to officers and employees of any Federal law enforcement agency who are personally and directly engaged in the response to or investigation of any terrorist incident, threat, or activity.

“(ii) DISCLOSURE TO STATE AND LOCAL LAW ENFORCEMENT AGENCIES.—The head of any Federal law enforcement agency may disclose return information obtained under clause (i) to officers and employees of any State or local law enforcement agency but only if such agency is part of a team with the Federal law enforcement agency in such response or investigation and such information is disclosed only to officers and employees who are personally and directly engaged in such response or investigation.

“(iii) REQUIREMENTS.—A request meets the requirements of this clause if—

“(I) the request is made by the head of any Federal law enforcement agency (or his delegate) involved in the response to or investigation of any terrorist incident, threat, or activity, and

“(II) the request sets forth the specific reason or reasons why such disclosure may be relevant to a terrorist incident, threat, or activity.

“(iv) LIMITATION ON USE OF INFORMATION.—Information disclosed under this subparagraph shall be solely for the use of the officers and employees to whom such information is disclosed in such response or investigation.

“(B) DISCLOSURE TO INTELLIGENCE AGENCIES.—

“(i) IN GENERAL.—Except as provided in paragraph (6), upon receipt by the Secretary of a written request which meets the requirements of clause (ii), the Secretary may disclose return information (other than taxpayer return information) to those officers and employees of the Department of Justice, the Department of the Treasury, and other Federal intelligence agencies who are personally and directly engaged in the collection or analysis of intelligence and counterintelligence information or investigation concerning any terrorist incident, threat, or activity. For purposes of the preceding sentence, the information disclosed under the preceding sentence shall be solely for the use of such officers and employees in such investigation, collection, or analysis.

“(ii) REQUIREMENTS.—A request meets the requirements of this subparagraph if the request—

“(I) is made by an individual described in clause (iii), and

“(II) sets forth the specific reason or reasons why such disclosure may be relevant to a terrorist incident, threat, or activity.

“(iii) REQUESTING INDIVIDUALS.—An individual described in this subparagraph is an individual—

“(I) who is an officer or employee of the Department of Justice or the Department of the Treasury who is appointed by the President with the advice and consent of the Senate or who is the Director of the United States Secret Service, and

“(II) who is responsible for the collection and analysis of intelligence and counterintelligence information concerning any terrorist incident, threat, or activity.

“(iv) TAXPAYER IDENTITY.—For purposes of this subparagraph, a taxpayer’s identity shall not be treated as taxpayer return information.

“(C) DISCLOSURE UNDER EX PARTE ORDERS.—

“(i) IN GENERAL.—Except as provided in paragraph (6), any return or return information with respect to any specified taxable period or periods shall, pursuant to and upon the grant of an ex parte order by a Federal district court judge or magistrate under clause (ii), be open (but only to the extent necessary as provided in such order) to inspection by, or disclosure to, officers and employees of any Federal law enforcement agency or Federal intelligence agency who are personally and directly engaged in any investigation, response to, or analysis of intelligence and counterintelligence information concerning any terrorist incident, threat, or activity. Return or return information opened to inspection or disclosure pursuant to the preceding sentence shall be solely for the use of such officers and employees in the investigation, response, or analysis, and in any judicial, administrative, or grand jury proceedings, pertaining to such terrorist incident, threat, or activity.

“(ii) APPLICATION FOR ORDER.—The Attorney General, the Deputy Attorney General, the Associate Attorney General, any Assistant Attorney General, or any United States attorney may authorize an application to a Federal district court judge or magistrate for the order referred to in clause (i). Upon such application, such judge or magistrate may grant such order if he determines on the basis of the facts submitted by the applicant that—

“(I) there is reasonable cause to believe, based upon information believed to be reliable, that the return or return information may be relevant to a matter relating to such terrorist incident, threat, or activity, and

“(II) the return or return information is sought exclusively for use in a Federal investigation, analysis, or proceeding concerning any terrorist incident, threat, or activity.

“(D) SPECIAL RULE FOR EX PARTE DISCLOSURE BY THE IRS.—

“(i) IN GENERAL.—Except as provided in paragraph (6), the Secretary may authorize an application to a Federal district court judge or magistrate for the order referred to in subparagraph (C)(i). Upon such application, such judge or magistrate may grant such order if he determines on the basis of the facts submitted by the applicant that the requirements of subparagraph (C)(ii)(I) are met.

“(ii) LIMITATION ON USE OF INFORMATION.—Information disclosed under clause (i)—

“(I) may be disclosed only to the extent necessary to apprise the head of the appropriate Federal law enforcement agency responsible for investigating or responding to a terrorist incident, threat, or activity, and

“(II) shall be solely for use in a Federal investigation, analysis, or proceeding concerning any terrorist incident, threat, or activity.

The head of such Federal agency may disclose such information to officers and employees of such agency to the extent necessary to investigate or respond to such terrorist incident, threat, or activity.

“(E) TERMINATION.—No disclosure may be made under this paragraph after December 31, 2003.”

(c) CONFORMING AMENDMENTS.—

(1) Section 6103(a)(2) is amended by inserting “any local law enforcement agency receiving information under subsection (i)(7)(A),” after “State.”

(2) Section 6103(b) is amended by adding at the end the following new paragraph:

“(11) TERRORIST INCIDENT, THREAT, OR ACTIVITY.—The term ‘terrorist incident, threat, or activity’ means an incident, threat, or activity involving an act of domestic terrorism (as defined in section 2331(5) of title 18, United States Code) or international terrorism (as defined in section 2331(1) of such title).”

(3) The heading of section 6103(i)(3) is amended by inserting “OR TERRORIST” after “CRIMINAL.”

(4) Paragraph (4) of section 6103(i) is amended—

(A) in subparagraph (A) by inserting “or (7)(C)” after “paragraph (1)”, and

(B) in subparagraph (B) by striking “or (3)(A)” and inserting “(3)(A) or (C), or (7)”.

(5) Paragraph (6) of section 6103(i) is amended—

(A) by striking “(3)(A)” and inserting “(3)(A) or (C)”, and

(B) by striking “or (7)” and inserting “(7), or (8)”.

(6) Section 6103(p)(3) is amended—

(A) in subparagraph (A) by striking “(7)(A)(ii)” and inserting “(8)(A)(ii)”, and

(B) in subparagraph (C) by striking “(i)(3)(B)(i)” and inserting “(i)(3)(B)(i) or (7)(A)(ii)”.

(7) Section 6103(p)(4) is amended—

(A) in the matter preceding subparagraph (A)—

(i) by striking “or (5),” the first place it appears and inserting “(5), or (7),” and

(ii) by striking “(i)(3)(B)(i),” and inserting “(i)(3)(B)(i) or (7)(A)(ii),” and

(B) in subparagraph (F)(ii) by striking “or (5),” the first place it appears and inserting “(5) or (7).”

(8) Section 6103(p)(6)(B)(i) is amended by striking “(i)(7)(A)(ii)” and inserting “(i)(8)(A)(ii)”.

(9) Section 6105(b) is amended—

(A) by striking “or” at the end of paragraph (2),

(B) by striking “paragraphs (1) or (2)” in paragraph (3) and inserting “paragraph (1), (2), or (3)”,

(C) by redesignating paragraph (3) as paragraph (4), and

(D) by inserting after paragraph (2) the following new paragraph:

“(3) to the disclosure of tax convention information on the same terms as return information may be disclosed under paragraph (3)(C) or (7) of section 6103(i), except that in the case of tax convention information provided by a foreign government, no disclosure may be made under this paragraph without the written consent of the foreign government, or”.

(10) Section 7213(a)(2) is amended by striking “(i)(3)(B)(i),” and inserting “(i)(3)(B)(i) or (7)(A)(ii).”

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to disclosures made on or after the date of the enactment of this Act.

#### TITLE V—NO IMPACT ON SOCIAL SECURITY TRUST FUNDS

##### SEC. 501. NO IMPACT ON SOCIAL SECURITY TRUST FUNDS.

(a) IN GENERAL.—Nothing in this Act (or an amendment made by this Act) shall be construed to alter or amend title II of the Social Security Act (or any regulation promulgated under that Act).

(b) TRANSFERS.—

(1) ESTIMATE OF SECRETARY.—The Secretary of the Treasury shall annually estimate the impact that the enactment of this Act has on the income and balances of the trust funds established under section 201 of the Social Security Act (42 U.S.C. 401).

(2) TRANSFER OF FUNDS.—If, under paragraph (1), the Secretary of the Treasury esti-

mates that the enactment of this Act has a negative impact on the income and balances of the trust funds established under section 201 of the Social Security Act (42 U.S.C. 401), the Secretary shall transfer, not less frequently than quarterly, from the general revenues of the Federal Government an amount sufficient so as to ensure that the income and balances of such trust funds are not reduced as a result of the enactment of this Act.

The SPEAKER pro tempore. Pursuant to the order of the House of today, the gentleman from California (Mr. THOMAS) and the gentleman from New York (Mr. RANGEL) each will control 20 minutes.

The Chair recognizes the gentleman from California (Mr. THOMAS).

Mr. THOMAS. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I want to thank the gentleman from New York for his kind observation. The Tuesday event precipitated a need for rapid response. On Thursday, the House moved. Three months later this bill now presents itself to us. I find it ironic that if the gentleman says he has been closed out of participation in this particular piece of legislation, the last time I checked, his party controlled the Senate and I would expect that at some time over the 3 months that the Senate was mulling over what it was going to do with this bill, he would have an opportunity to examine various provisions.

It is my pleasure to yield to the ranking member, the gentleman from New York (Mr. RANGEL).

Mr. RANGEL. Mr. Speaker, let me say this, that as long as the gentleman and I have served in this House of Representatives, I am confident that we will treasure this jurisdiction of the Committee on Ways and Means and try to protect it the best we can, no matter which party is in charge of this House. But I would hope that any Member of this House serving on any committee that has any interest in legislation in his or her jurisdiction would never have to appeal to the other body to be heard. I thank the gentleman for yielding.

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Mr. THOMAS. Mr. Speaker, I appreciate the gentleman’s comments. That means, then, that perhaps he was closed out on the other side, and that I will be doubly sensitive to make sure that if the gentleman’s own Members on the other side will not work with him, that we will continue to work with him.

Mr. Speaker, it is my pleasure to yield 2 minutes to the gentleman from New York (Mr. HOUGHTON), someone who has had a major impact on this legislation.

Mr. HOUGHTON. Mr. Speaker, I thank the gentleman for yielding time to me, and I thank the gentleman from California (Mr. THOMAS) and the gentleman from New York (Mr. RANGEL) for their work.

Mr. Speaker, I am honored to stand here with several of my New York colleagues in introducing a bill which

really is going to provide much needed tax incentives for businesses to rebuild in lower Manhattan after all the massive destruction caused by the terrorist attacks of September 11.

None of us will ever forget the terrible losses of that day, the loss of life, and the most tragic being the heartache to so many families. The World Trade Center was destroyed, other buildings were damaged or collapsed, and of course the price tag is horrendous, here.

This bill includes really five provisions. I know it may be a little tedious, but I want to go through them, because I think it is important.

First of all, it is to authorize New York State to issue up to \$15 billion in tax-exempt private activity bonds over the next 3 years to help renovate and rebuild commercial property, residential property, and also private utility infrastructure;

Second, it allows taxpayers to claim an additional 30 percent first-year depreciation deduction for property located in the liberty zone, including buildings and building improvements;

Third, it provides a 5-year life for depreciating certain leasehold improvements;

Fourth, next to the last, is to increase by \$35,000 to \$59,000 the amount that can be expensed by small businesses under section 179;

Lastly, it increases the replacement period for 2 to 5 years for property that was involuntarily converted in lower Manhattan so taxpayers would not have to recognize the gain.

Mr. Speaker, I know these are detailed and sometimes technical issues, but it is very important, and this bill can be the new lifeblood, the new hope, the expectancy of a rebuilt New York.

Therefore, I want to thank the gentleman from California (Chairman THOMAS), the gentleman from New York (Mr. RANGEL), and my colleagues for being able to work on this bill. Obviously, I urge everyone to support the bill.

Mr. RANGEL. Mr. Speaker, I yield such time as he may consume to the gentleman from New Jersey (Mr. HOLT).

Mr. HOLT. Mr. Speaker, I thank the distinguished ranking member from the Committee on Ways and Means for yielding time to me.

Mr. Speaker, I rise in support of seeing that we provide full recognition in debt and tax relief for the surviving families from this terrible tragedy, this terrible event.

Mr. Speaker, the workers in the World Trade Center and the passengers on board these planes were targeted because they were Americans working in a symbolic building or on board American planes. They were victimized as much as if they were soldiers, and the surviving families have had the bottom yanked out from under their feet, under their lives.

I know that Americans, big-hearted in their generous support for these sur-

viving families, want them to have tax relief: income, payroll, no taxability of debt, and credit card forgiveness. I know Americans, in their big-hearted generosity, want that for these people that they have reached out to.

Mr. Speaker, I hope that will be the result of this.

Mr. THOMAS. Mr. Speaker, it is my pleasure to yield 2 minutes to the gentleman from New York (Mr. FOSSELLA), someone who has been on top of this from day one, and I appreciate his advice and counsel.

(Mr. FOSSELLA asked and was given permission to revise and extend his remarks.)

Mr. FOSSELLA. Mr. Speaker, I thank the chairman for yielding time to me, and for his leadership on this matter. I thank my colleagues on both sides of the aisle for once again coming forward to assist New York in its time of need.

Mr. Speaker, we understand after September 11 that not only was New York and America attacked, but we have to come together as a country to help New York rebuild. Anybody who has been to downtown Manhattan, Ground Zero, as it has come to be known, has really witnessed devastation. We have seen the utter destruction, day in and day out. We have brave men and women who are still recovering the remains of those who were there and perished; but we also have just a scene out of a bad movie.

Simultaneously, what has happened is that a lot of businesses are hurting. A lot of businesses who employ thousands of people in downtown Manhattan are either going out of business or are on the brink of bankruptcy, with employees who perhaps have no health insurance.

A lot of different problems have resounded since September 11 above and beyond, if you will, the utter destruction that has taken place. What the gentleman from California (Chairman THOMAS) and the gentleman from New York (Mr. HOUGHTON) who have stood up before will do in this proposal is provide incentives for businesses to come back to New York, back to downtown Manhattan specifically in this newly-created zone, and to build, whether it is through accelerated small business expensing benefits or a 5-year recovery period for leasehold improvements; again, an incentive to come and to rebuild.

There is nothing we can do to ever turn back the clock to September 10, but what the Congress can do, in addition to the ongoing appropriations, which I believe is going to be a multiyear process, and I credit the President for fulfilling his commitment, this is another vehicle to help New York rebuild and to provide incentives.

Over and above this proposal, I think it is important to understand that the surest way to help New York and perhaps the best way to help New York is to implement significant tax relief for

folks who are working in Manhattan and the other boroughs. That is the surest and, as I see it, is the long-term positive effect on rebuilding.

I want to thank the gentleman from California (Mr. THOMAS) for being so diligent, and the gentleman from New York (Mr. RANGEL) for bringing this forward. This is going to help New York and help New York City, and it is going to help the people that I represent in Staten Island and Brooklyn, many of whom worked in downtown Manhattan.

Again, it is just another boost, I think, from the Congress and from Washington that we are going to stand shoulder-to-shoulder with the people from New York.

Mr. THOMAS. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I include for the RECORD, since there is no committee report, the Joint Committee on Taxation's technical explanation of the bill.

The material referred to is as follows:  
TECHNICAL EXPLANATION OF H.R. 2884, THE "VICTIMS OF TERRORISM TAX RELIEF ACT OF 2001," AS CONSIDERED BY THE HOUSE ON DECEMBER 13, 2001

(Prepared by the staff of the Joint Committee on Taxation)

#### INTRODUCTION

This document, prepared by the staff of the Joint committee on Taxation, contains a technical explanation of H.R. 2884, the "Victims of Terrorism Tax Relief Act of 2001," as Considered by the House on December 13, 2002.

#### I. BACKGROUND

Historically, the Congress has provided Federal tax relief for members of the U.S. Armed Forces who serve in combat zones. In addition, the Congress has taken action on several occasions to provide Federal tax relief for service members and other individuals whose lives have been affected by particular instances of hostile action involving the United States. In 1970, the Congress enacted legislation that provided tax relief to individuals who had been removed from a U.S. vessel and dies while being illegally detained by the Democratic People's Republic of Korea during 1968. Specifically, the legislation treated these individuals as having served in a combat zone for purposes of tax provisions that apply only to individuals serving in designated combat zones. Thus, service personnel who were crewmembers of the U.S.S. *Pueblo* (which was illegally detained in 1968 by North Korea), and who died during the detention, were eligible for the income tax exclusion (and other special tax rules) available for service personnel who die in combat zones.

In 1980, the Congress enacted legislation concerning the American hostages who were held captive in Iran between November 4, 1979, and December 31, 1981, and who died as a result of injury or disease or physical or mental disability that was incurred or aggravated while in captive status. The legislation provided that no Federal income tax would be imposed with respect to the year in which the individual died or any prior year ending on or after the first day the individual was in captive status. This legislation applied to military and civilian personnel of the United States, as well as to certain other U.S. taxpayers taken captive outside Iran on or before December 31, 1981. Moreover, if there had been any unpaid income tax liability of

such an individual from years prior to captivity, the liability was forgiven. This total income tax exemption for American hostages who died as a result of captive status was available only if death occurred within two years after the individual ceased to be in captive status.

In 1984, the Congress enacted legislation after hostile action occurred in Lebanon and Grenada involving U.S. military and civilian personnel. This legislation provided special Federal income tax rules for certain individuals who die while in active service as a member of the Armed Forces of the United States or while in the civilian employment of the United States. Under the legislation, if death occurs as a result of wounds or injuries incurred outside the United States in a terrorist or military action, then no Federal income tax applies with respect to income of the individual for the year of death or for any earlier year in the period beginning with the last year ending before the year in which the wounds or injuries were incurred (sec. 692(c)). The legislation only applies to injuries or wounds that are incurred in a terrorist or military action. Thus, for example, the legislation would not have applied with respect to a U.S. servicemember stationed in Lebanon who died as a result of an accidental fall because, if not caused by hostile forces, such an injury was not incurred in a terrorist or military action. In order to apply the special tax rules provided by the legislation to other hostile actions that occurred before the date of enactment (such as the attempt to rescue the American hostages in Iran), the legislation was made effective with respect to all taxable years of individuals dying as a result of wounds or injuries incurred after December 31, 1979.

The 1984 legislation applies to the year preceding the year in which the wounds or injuries were incurred because the Congress determined that forgiveness of income tax only for the period from the year of the injuries or wounds to the year of death would have inequitable results in certain circumstances. Under such a limitation, a soldier who is killed in a terrorist attack on a U.S. base in a foreign country on January 31 would be exempt from income tax only on one month's income, while a soldier who is killed in an attack on December 31 would be exempt from income tax on an entire year's income. Accordingly, the Congress concluded that it is more equitable to extend the tax forgiveness under the provision to income for the year preceding the year of injury.

In 1990, the Congress enacted legislation providing limited income tax benefits to victims of the terrorist attack that resulted in the downing of Pan American Airways Flight 103 over Lockerie, Scotland on December 21, 1988. The legislation provided that, in the case of any individual whose death was a direct result of the terrorist attack involving Flight 103, the income tax provisions of subtitle A of the Internal Revenue Code did not apply with respect to: (1) the taxable year that included December 21, 1988; and (2) the prior taxable year. However, the income tax benefit in each taxable year was limited to an amount equal to 28 percent of the annual rate of basic pay at Level V of the U.S. Executive Schedule as of December 21, 1988. This limitation was intended to limit the amount of tax relief to that which was provided to personnel of the United States who were on Flight 103, thus providing equal relief to all of the victims who were on Flight 103. In addition, the legislation required the President to submit recommendations to Congress concerning whether future legislation should be enacted to authorize the United States to provide monetary and tax relief as compensation to U.S. citizens who are victims of terrorism.

The legislation also authorized the President to establish a board to develop criteria for compensation and to recommend changes to existing laws to establish a single comprehensive approach to victim compensation for terrorist acts.

In 1991, the Congress enacted legislation extending the benefits of the suspension of time provisions under section 7508 to any individual (and the spouse of such an individual) who performed certain services that preceded the designation of a combat zone with regard to Operation Desert Shield. The individuals eligible for such benefits included individuals who provided services in the Armed Forces of the United States (or in support of the Armed Services) if such services were performed in the area designated by the President as the "Persian Gulf Desert Shield Area" and such services were performed during the period beginning August 2, 1990, and ending on the date on which any portion of the area was designated by the President as a combat zone. After January 17, 1991 (the date on which the Persian Gulf Desert Shield Area became designated as a combat zone by the President), individuals performing such services became eligible for the benefits of the present-law tax provisions applicable to service in a designated combat zone. An Executive Order terminating the designation of the Persian Gulf Desert Shield Area as a combat zone has not been issued.

In 1996, the Congress enacted legislation concerning certain individuals serving in portions of former Yugoslavia (i.e., Bosnia and Herzegovina, Croatia, and Macedonia) as part of Operation Joint Endeavor and Operation Able Sentry. This legislation provided that such service is treated in the same manner as if it were performed in a designated combat zone for purposes of the tax provisions, applicable to service in a designated combat zone. The legislation also made the suspension of time provisions of section 7508 applicable to certain other individuals participating in Operation Joint Endeavor. In addition, the legislation increased the maximum officer combat pay exclusion from \$500 per month to the highest rate of pay applicable to enlisted personnel plus the amount of hostile fire/imminent danger pay received by the officer.

In 1997, the Congress enacted legislation authorizing procedural tax benefits with regard to Presidentially declared disasters in general. The legislation provided that the Secretary of the Treasury may prescribe regulations under which a period of up to 90 days may be disregarded for performing various acts under the Internal Revenue Code, such as filing tax returns, paying taxes, or filing a claim for credit or refund of tax, for any taxpayer determined by the Secretary to be affected by a Presidentially declared disaster (sec. 7508A). In 2001, the Congress amended section 7508A to extend from 90 to 120 the authorized period of days that may be disregarded by the Secretary.

## II. DESCRIPTION OF H.R. 2884, THE "VICTIMS OF TERRORISM TAX RELIEF ACT OF 2001"

### A. RELIEF PROVISIONS FOR VICTIMS OF SPECIFIC TERRORIST ATTACKS

#### 1. *Income taxes of victims of terrorist attacks (sec. 101 of the bill and sec. 692 of the Code)*

##### *Present Law*

An individual in active service as a member of the Armed Forces who dies while serving in a combat zone (or as result of wounds, disease, or injury received while serving in a combat zone) is not subject to income tax or self-employment tax for the year of death (as well as for any prior taxable year ending on or after the first day the individual served in the combat zone) (sec. 6929a(1)). Special computational rules apply in the case of

joint returns. Military and civilian employees of the United States are entitled to a similar exemption if they die as a result of wounds or injury which was incurred outside the United States in terrorist or military action (sec. 692(c)).

The exemption applies not only to the tax liability of the individual attributable to income received before the date of death and reported on the decedent's final return. The exemption applies also to the liability of another person to the extent the liability is attributable to an amount received after the individual's death which would have been includible in the individual's income for the taxable year in which the date of death falls (determined as if the individual had survived). For example, the individual's final wage payment, or interest or dividends payable in the year of death with respect to the individual's assets, are exempt from income tax when paid to another person or the individual's estate after the date of death but before the end of the taxable year of the decedent (determined without regard to the death).

This exemption is available for the year of death and for prior taxable years beginning with the taxable year prior to the taxable year in which the wounds or injury were incurred. Thus, for example, if someone is injured and dies in the year the injury occurred, the exemption applies for the year of death and the prior taxable year. Similarly, if someone is injured and dies two years later, this exemption is available for the taxable year of death as well as the three prior taxable years (i.e., the year preceding the injury, the year of the injury, and the two years following the year of the injury).

##### *Explanation of Provision*

Application of relief to victims of September 11, 2001, April 19, 1995, and anthrax attacks. The bill extends relief similar to the present-law treatment of military or civilian employees of the United States who die as a result of terrorist or military activity outside the United States to individuals who die as a result of wounds or injury which were incurred as a result of the terrorist attacks that occurred on September 11, 2001, or April 19, 1995, and individuals who die as a result of illness incurred due to an attack involving anthrax that occurs on or after September 11, 2001, and before January 1, 2002. Under the bill, such individuals generally are exempt from income tax for the year of death and for prior taxable years beginning with the taxable year prior to the taxable year in which the wounds or injury occurred. The exemption applies to these individuals whether killed in an attack (e.g., in the case of the September 11, 2001, attack in one of the four airplanes or on the ground) or in rescue or recovery operations.

The provision does not apply to any individual identified by the Attorney General to have been a participant or conspirator in any terrorist attack to which the provision applies, or a representative of such individual.

*Simplified refund procedures.* It is intended that the Secretary will establish procedures to simplify refunds of these amounts, including expanding the directions in Revenue Procedure 85-35 to include specific instructions for Form 1041.

##### *Effective Date*

The provision is effective for taxable years ending before, on, or after September 11, 2001.

A special rule extends the period of limitations to permit the filing of a claim for refund resulting from this provision until one year after the date of enactment, if that period would otherwise have expired before that date.

2. Exclusion of certain death benefits (sec. 102 of the bill and sec. 101 of the Code)

*Present Law*

In general, gross income includes income from whatever source derived (sec. 61), including payments made as a result of the death of an individual. Certain exceptions to this general rule of inclusion may apply to such payments in certain cases.

For example, gross income generally does not include the amount of any damages (other than punitive damages) received (whether by suit or agreement and whether as lump sums or as periodic payments) on account of personal physical injury (including death) or sickness (sec. 104(a)(2)). Further, gross income does not include amounts received (whether in a single sum or otherwise) under a life insurance contract if such amounts are paid by reason of the death of the insured (sec. 101(a)).

In addition, gifts are not includible in gross income (sec. 102). However, with very limited exceptions, payments made by an employer to, or for the benefit of, an employee are not excluded from gross income as gifts (sec. 102(c)). In business contexts in which section 102(c) does not apply, payments are excludable as gifts only if objective inquiry demonstrates that the payments were made out of "detached and disinterested generosity" and not in return for past or future services or from motives of anticipated benefit.

*Explanation of Provision*

The bill generally provides an exclusion from gross income for amounts received if such amounts are paid by an employer (whether in a single sum or otherwise) by reason of the death of an employee who dies as a result of wounds or injury which were incurred as a result of the terrorist attacks that occurred on September 11, 2001, or April 19, 1995, or as a result of illness incurred due to an attack involving anthrax that occurs on or after September 11, 2001, and before January 1, 2002. Subject to rules prescribed by the Secretary, the exclusion does not apply to amounts that would have been payable if the individual had died for a reason other than the attack. For example, the provision does not apply to payments by an employer under a nonqualified deferred compensation plan to the extent that the amounts would have been payable if the death had occurred for another reason.

For purposes of the exclusion, self-employed individuals are treated as employees. Thus, for example, payments by a partnership to the surviving spouse of a partner who died as a result of the September 11, 2001, attacks may be excludable under the provision.

The provision does not apply to any individual identified by the Attorney General to have been a participant or conspirator in any terrorist attack to which the provision applies, or a representative of such individual.

No change to present law is intended as to the deductibility of death benefits paid by the employer or otherwise merely because the payments are excludable by the recipient. Thus, it is intended that payments excludable from income under the provision are deductible to the same extent they would be if they were includible in income.

The bill is not intended to narrow the scope of any applicable exclusion under present law. Accordingly, payments that are not specifically excludable under the bill remain excludable to the same extent provided under present law.

In connection with the September 11, 2001, terrorist attacks, insurance companies may pay death benefits under a life insurance contract even if the contract terms provide for an exclusion for death occurring as a result of an act of terrorism or act of war. It is understood that such a death payment would fall within the present-law exclusion

(under sec. 101(a)) for payments made under the contract if it otherwise meets the requirements of the present-law exclusion.

*Effective Date*

The provision is effective for taxable years ending before, on, or after September 11, 2001.

A special rule extends the period of limitations to permit the filing of a claim for refund resulting from this provision until one year after the date of enactment, if that period would otherwise have expired before that date.

*3. Estate tax reduction (sec. 103 of the bill and sec. 2201 of the Code)**Present Law*

Present law provides a reduction in Federal estate tax for taxable estates of U.S. citizens or residents who are active members of the U.S. Armed Forces and who are killed in action while serving in a combat zone (sec. 2201). This provision also applies to active service members who die as a result of wound, disease, or injury suffered while serving in a combat zone by reason of a hazard to which the service member was subjected as an incident of such service.

In general, the effect of section 2201 is to replace the Federal estate tax that would otherwise be imposed with a Federal estate tax equal to 125 percent of the maximum State death tax credit determined under section 2011(b). Credits against the tax, including the unified credit of section 2010 and the State death tax credit of section 2011, then apply to reduce (or eliminate) the amount of the estate tax payable.

The reduction in Federal estate taxes under section 2201 is equal in amount to the "additional estate tax" with respect to the estates of decedents dying before January 1, 2005. The additional estate tax is the difference between the Federal estate tax imposed by section 2001 and 125 percent of the maximum State death tax credit determined under section 2011(b). With respect to the estates of decedents dying after December 31, 2004, section 2001 provides that the additional estate tax is the difference between the Federal estate tax imposed by section 2001 and 125 percent of the maximum state death tax credit determined under section 2011(b) as in effect prior to its repeal by the Economic Growth and Tax Relief Reconciliation Act of 2001.

*Explanation of Provision*

The bill generally treats individuals who die from wounds or injury incurred as a result of the terrorist attacks that occurred on September 11, 2001, or April 19, 1995, as a result of illness incurred due to an attack involving anthrax that occurs on or after September 11, 2001, and before January 1, 2002, in the same manner as if they were active members of the U.S. Armed Forces killed in action while serving in a combat zone or dying as a result of wounds or injury suffered while serving in a combat zone for purposes of section 2201. Consequently, the estates of these individuals are eligible for the reduction in Federal estate tax provided by section 2201. The provision applies regardless of whether the individual was killed in the attack itself (e.g., in the case of the September 11, 2001, attack, in one of the four airplanes or on the ground) or in rescue or recovery operations. The provision does not apply to any individual identified by the Attorney General to have been a participant or conspirator in any terrorist attack to which the provision applies, or a representative of such individual.

The bill also changes the general operation of section 2201, as it applies to both the estates of service members who qualify for special estate tax treatment under present law

and to the estates of individuals who qualify for the special treatment under the bill. Under the bill, the Federal estate tax is determined in the same manner for all estates that are eligible for Federal estate tax reduction under section 2201. In addition, the executor of an estate that is eligible for special estate tax treatment under section 2201 may elect not to have section 2201 apply to the estate. Thus, in the event that an estate may receive more favorable treatment without the application of section 2201 in the year of death than it would under section 2201, the executor may elect not to apply the provisions of section 2201, and the estate tax owed (if any) would be determined pursuant to the generally applicable rules.

Under the bill, section 2201 no longer reduces Federal estate tax by the amount of the additional estate tax. Instead, the bill provides that the Federal estate tax liability of eligible estates is determined under section 2001, using a rate schedule that is equal to 125 percent of the present-law maximum State death tax credit amount. This rate schedule is used to compute the tax under section 2001(b) (i.e., both the tentative tax under section 2001(b)(1) and the hypothetical gift tax under section 2201(b)(2) is computed using this rate schedule). As a result of this provision, the estate tax is unified with the gift tax for purposes of section 2201 so that a single graduated (but reduced) rate schedule applies to transfers made by the individual at death, based upon the cumulative taxable transfers made both during lifetime and at death.

In addition, while the bill provides an alternative reduced rate table for purposes of determining the tax under section 2201(b), the amount of the unified credit nevertheless is determined as if section 2201 did not apply, based upon the unified credit as in effect on the date of death. For example, in the case of victims of the September 11, 2001, terrorist attack, the applicable unified credit amount under section 2010(c) would be determined by reference to the actual section 2001(c) rate table.

As a conforming amendment, the bill repeals section 2011(d) because it no longer will have any application to taxpayers.

*Effective Date*

The provision applies to estates of decedents dying on or after September 11, 2001, or, in the case of victims of the Oklahoma City terrorist attack, estates of decedents dying on or after April 19, 1995.

A special rule extends the period of limitations to permit the filing of a claim for refund resulting from this provision until one year after the date of enactment, if that period would otherwise have expired before that date.

*4. Payments by charitable organizations treated as exempt payments (sec. 104 of the bill and secs. 501 and 4941 of the Code)**Present Law*

In general, organizations described in section 501(c)(3) of the Code are exempt from taxation. Contributions to such organizations generally are tax deductible (sec. 170). Section 501(c)(3) organizations must be organized and operated exclusively for exempt purposes and no part of the net earnings of such organizations may inure to the benefit of any private shareholder or individual. An organization is not organized or operated exclusively for one or more exempt purposes unless the organization serves a public rather than a private interest. Thus, an organization described in section 501(c)(3) generally must serve a charitable class of persons that is indefinite or of sufficient size.

Tax-exempt private foundations are a type of organization described in section 501(c)(3)

and are subject to special rules. Private foundations are subject to excise taxes on acts of self-dealing between the private foundation and a disqualified person with respect to the foundation (sec. 4941). For example, it is self-dealing if the income or assets of a private foundation are transferred to, or used by or for the benefit of a disqualified person, such as a substantial contributor to the foundation or a person in control of the foundation, and the benefit is not incidental or tenuous.

#### *Explanation of Provision*

In light of the extraordinary distress caused by the attacks on the United States of September 11, 2001, and the subsequent attacks involving anthrax, the bill provides that organizations described in section 501(c)(3) that make payments by reason of the death, injury, wounding, or illness of an individual incurred as a result of the September 11, 2001, attacks, or as a result of an attack involving anthrax occurring on or after September 11, 2001, and before January 1, 2002, are not required to make a specific assessment of need for the payments to be related to the purpose of function constituting the basis for the organization's exemption. This rule applies provided that the organization makes the payments in good faith using a reasonable and objective formula which is consistently applied and the payments further a public rather than a private interest. Therefore, as under present law, payments must serve a charitable class. For example, under this standard, a charitable organization that assists families of firefighters killed in the line of duty could make a pro-rata distribution to the families of firefighters killed in the attacks, even though the specific financial needs of each family are not directly considered. Similarly, if the amount of a distribution is based on the number of dependents of a charitable class of persons killed in the attacks and this standard is applied consistently among distributions, the specific needs of each recipient do not have to be taken into account. However, it would not be appropriate for a charity to make pro-rata payments based on the recipients' living expenses before September 11 if the result generally is to provide significantly greater assistance to person in a better position to provide for themselves than to persons with fewer financial resources. Although such a distribution might be based on objective criteria, it would not, under the statutory standard, be a reasonable formula for distributing assistance in an equitable manner. Similarly, although specific assessments of need are not required, payments that do not further public purposes are not permitted. The bill does not change the substantive standards for exemption under section 501(c)(3), including the prohibition on private inurement. It is impossible to list or anticipate the kinds of payments that meet the statutory test, but, in general, charitable that make distributions in good faith using a reasonable and objective formula will be treated as acting consistently with exempt purposes. A charity that makes payments subject to this provision should indicate clearly on the charity's information return, for example by notation at the top of the relevant page of the return, that the charity relied on this provision in making distributions. The bill also provides that if a private foundation makes payments under the conditions described above, the payment is not treated as made to a disqualified person for purposes of section 4941.

For charities making payments in connection with the September 11 attacks or attacks involving anthrax, but not in reliance on this provision, present law rules apply. It

is expected that, because of the severity of distress arising out of the September 11 and anthrax attacks and the extensive variety of needs that the thousands of victims and their family members may have, a wide array of expenses will be consistent with operation for exclusively charitable purposes. For instance, payments to permit a surviving spouse with young children to remain at home with the children rather than being forced to enter the workplace seem to be appropriate to maintain the psychological well-being of the entire family. Similarly, assistance with elementary and secondary school tuition to permit a child to remain in the same educational environment seems to be appropriate, as does assistance needed for higher education. Assistance with rent or mortgage payments for the family's principal resident or car loans also seems to be appropriate to forestall losses of a home or transportation that would cause additional trauma to families already suffering. Other types of assistance that the scope of the tragedy makes it difficult to anticipate may also serve a charitable purpose.

#### *Effective Date*

The provision applies to payments made on or after September 11, 2001.

#### B. GENERAL RELIEF FOR VICTIMS OF DISASTERS AND TERRORISTIC OR MILITARY ACTIONS

##### *1. Exclusion of disaster relief payments (sec. 201 of the bill and new sec. 139 of the Code)*

#### *Present Law*

Taxation of disaster relief payments. Gross income includes all income from whatever source derived unless a specific exception applies (sec. 61). There is no specific statutory exclusion from income for disaster payments. However, various types of disaster payments made to individuals have been excluded from gross income under a general welfare exception. The exception has been held to exclude from income payments made under legislatively provided social benefit programs for the promotion of the general welfare. The general welfare exception generally applies if the payments (1) are made from a governmental general welfare fund, (2) are for the promotion of the general welfare (on the basis of need and not to all residents), and (3) are made without respect to services rendered by the recipient. The exclusion generally applies to payments for food, medical, housing, personal property, transportation, and funeral expenses.

The general welfare exception generally does not apply to payments in the nature of income replacement, such as payments to individuals for lost wages or unemployment compensation or payments in the nature of income replacement to businesses. Income replacement payments are includable in gross income, unless another exception applies.

Disaster relief payments may be excludable under other provisions. For example, payments made by charitable relief organizations may be excluded from the gross income of the recipients as gifts. Payments made in a business context generally are not treated as gifts. Factual issues may arise as to whether a payment in the context of a business relationship is a gift or taxable compensation for services. In general, payments made by an employer to, or for the benefit of, an employee are not excluded from gross income as gifts (sec. 102(c)).

Under present law, gross income generally does not include payments received as damages (other than punitive damages) on account of personal physical injury (including death) or sickness (sec. 104(a)(2)). Such payments are excluded from gross income regardless of whether received by suit or agree-

ment and whether received as a lump sum or as periodic payments.

Section 406 of the Air Transportation Safety and System Stabilization Act provides for the payment of compensation for eligible individuals who suffered physical harm or death as a result of the terrorist-related aircraft crashes of September 11, 2001. There is no statutory provision specifically addressing the taxation of such compensation; however, such compensation may be excludable from income under generally applicable Code provisions (e.g., section 104).

Rules relating to charitable organizations. In general, organizations described in section 501(c)(3) of the Code are exempt from taxation. Contributions to such organizations generally are tax deductible (sec. 170). Section 501(c)(3) organizations must be organized and operated exclusively for exempt purposes and no part of the net earnings of such organizations may inure to the benefit of any private shareholder or individual. An organization is not organized or operated exclusively for one or more exempt purposes unless it serves a public rather than a private interest. Thus, an organization described in section 501(c)(3) generally must serve a charitable class of persons that is indefinite or of sufficient size.

Tax-exempt private foundations are a type of organization described in section 501(c)(3) and are subject to special rules. Private foundations are subject to excise taxes on acts of self-dealing between the private foundation and a disqualified person with respect to the foundation (sec. 4941). For example, it is self-dealing if the income or assets of a private foundation are transferred to, or used by or for the benefit of a disqualified person, such as a substantial contributor to the foundation or a person in control of the foundation, and the benefit is not incidental or tenuous. Private foundations also are subject to excise taxes on taxable expenditures (sec. 4945). For example, it is a taxable expenditure if a private foundation pays an amount that does not further certain charitable purposes, or makes a grant to an individual for educational or other similar purposes without following certain procedures.

#### *Explanation of Provision*

Taxation of disaster relief payments. The bill clarifies that any amount received as payment under section 406 of the Air Transportation Safety and System Stabilization Act is excludable from gross income. In addition, the bill provides a specific exclusion from income for qualified disaster relief payments. No inference is intended as to the taxability of such payments under present law. In addition, the provision is not intended to preclude the exclusion of other types of payments under the general welfare exception or other Code provisions.

Qualified disaster relief payments include payments, from any source, to, or for the benefit of, an individual to reimburse or pay reasonable and necessary personal, family, living, or funeral expenses incurred as a result of a qualified disaster. Personal, family, and living expenses are intended to have the same meaning as when used in section 262.

Qualified disaster relief payments also include payments, from any source, to reimburse or pay reasonable and necessary expenses incurred for the repair or rehabilitation of a personal residence, or for the repair or replacement of its contents, to the extent that the need for the repair, rehabilitation, or replacement is attributable to a qualified disaster. For purposes of determining the tax basis of a rehabilitated residence, it is intended that qualified disaster relief payments be treated in the same manner as amounts received on an involuntary conversion of a principal residence under section



121(d)(5) and sections 1033(b) and (h). A residence is not precluded from being a personal residence solely because the taxpayer does not own the residence; a rented residence can qualify as a personal residence.

Qualified disaster relief payments also include payments by a person engaged in the furnishing or sale of transportation as a common carrier on account of death or personal physical injuries incurred as a result of a qualified disaster. Thus, for example, payments made by commercial airlines to families of passengers killed as a result of a qualified disaster would be excluded from gross income.

Qualified disaster relief payments also include amounts paid by a Federal, State or local government in connection with a qualified disaster in order to promote the general welfare. As under the present law general welfare exception, the exclusion does not apply to payments in the nature of income replacement, such as payments to individuals of lost wages, unemployment compensation, or payments in the nature of business income replacement.

Qualified disaster relief payments do not include payments for any expenses compensated for by insurance or otherwise. No change from present law is intended as to the deductibility of qualified disaster relief payments, made by an employer or otherwise, merely because the payments are excludable by the recipients. In addition, in light of the extraordinary circumstances surrounding a qualified disaster, it is anticipated that individuals will not be required to account for actual expenses in order to qualify for the exclusion, provided that the amount of the payments can be reasonably expected to be commensurate with the expenses incurred.

Particular payments may come within more than one category of qualified disaster relief payments; the categories are not intended to be mutually exclusive. Qualified disaster relief payments also are excludable for purposes of self-employment taxes and employment taxes. Thus, no withholding applies to qualified disaster relief payments.

Under the bill, a qualified disaster includes a disaster which results from a terroristic or military action (as defined in section 692(c)(2), as amended by the bill), a Presidentially declared disaster, a disaster which results from an accident involving a common carrier or from any other event which would be determined by the Secretary to be of a catastrophic nature, or, for purposes of payments made by a Federal, State or local government, a disaster designated by Federal, State or local authorities to warrant assistance.

The exclusion from income under section 139 does not apply to any individual identified by the Attorney General to have been a participant or conspirator in the terrorist-related aircraft crashes of September 11, 2001, or any other terrorist attack, or to a representative of such individual.

*Rules applicable to charitable organizations making disaster relief payments.* Recognizing that employers and employees may also contribute to section 501(c)(3) organizations that make disaster relief payments, clarification of the type of disaster relief grants such organizations may make consistent with exempt purposes to assist individuals in distress as a result of the September 11 attacks, and more generally, may be helpful. Because the bill provides a special rule for certain payments made by reason of death, injury, wounding, or illness of an individual as a result of the September 11 attacks, and certain attacks involving anthrax, the following discussion relates to disaster relief generally.

Generally speaking a charitable organization must serve a public rather than a pri-

vate interest. Providing assistance to relieve distress for individuals suffering the effects of a disaster generally serves a public rather than a private interest if the assistance benefits the community as a whole, or if the recipients otherwise lack the resources to meet their physical, mental and emotional needs. Such assistance could include cash grants to provide for food, clothing, housing, medical care, federal costs, transportation, education and other needs. All such grants must be need-based, taking into account the family's financial resources and their physical, mental and emotional well-being.

Charitable organizations generally are in the best position to determine the type and amount of, and appropriate beneficiaries for, disaster relief. Accordingly, it is expected that the Secretary will presume that a charity providing cash assistance in good faith to victims (and their family members) of a qualified disaster is acting consistent with the requirements of section 501(c)(3) if the class of beneficiaries is sufficiently large or indefinite and the charity can demonstrate that it is applying consistent, objective criteria for assessing need.

In addition to the rules described above that are applicable to all charities, special rules apply with respect to disaster relief provided by private foundations controlled by an employer. In such cases, clarification of the appropriate treatment of the foundation and the payments may be helpful. In general, a private foundation that is established and controlled by an employer violates the requirements of section 501(c)(3) if it provides benefits to a class of beneficiaries composed exclusively of the employer's employees, and such benefits are a form of compensation. The IRS recently held in a private letter ruling, and in similar rulings, that a private foundation that is established, funded and controlled by a particular employer for the purpose of providing disaster relief for employees of a particular employer does not qualify as a charitable organization under section 501(c)(3), because the foundation is not operated solely for charitable purposes and is providing a benefit on behalf of the employer in violation of the prohibition on private inurement. Although private letter rulings do not constitute precedent for other taxpayers, considerable uncertainty exists regarding IRS' position relating to employer-controlled private foundations making disaster relief payments to employee-beneficiaries.

If payments in connection with a qualified disaster are made by a private foundation to employees (and their family members) of an employer that controls the foundation, the presumption that the charity acts consistently with the requirements of section 501(c)(3) applies if the class of beneficiaries is large or indefinite and if recipients are selected based on an objective determination of need by an independent committee of the private foundation, a majority of the members of which are persons other than persons who are in a position to exercise substantial influence over the affairs of the controlling employer (determined under principles similar to those in effect under section 4958). The presumption does not apply to grants made to, or for the benefit of, a disqualified person or member of the selection committee. However, the absence of an independent selection committee does not necessarily mean that a foundation violates the requirements of section 501(c)(3). Other procedures and standards may be adequate substitutes to ensure that any benefit to the employer is incidental and tenuous. Similarly, providing need-based payments to employees and their survivors in response to a disaster other than a qualified disaster may well further charitable purposes consistent with the requirements of section 501(c)(3).

It is intended that an employer-controlled private foundation is not providing an inappropriate benefit and is not disqualified from exemption under section 501(c)(3) if it makes a payment to an employee or a family member of an employee (who is employed by an employer who controls the foundation) relieves distress caused by a qualified disaster as defined under section 139, provided that it awards grants based on an objective determination of need using either an independent selection committee or adequate substitute procedures, as described above. It is further intended that section 102(c) of the Code, which provides that a transfer from an employer to, or for the benefit of, an employee generally is not excludable from income as a gift, does not apply to such payments. It is further expected that the Service will reconsider the ruling position it has taken to ensure that private foundations established and controlled by employers will have appropriate guidance, consistent with the principles outlined above, on the circumstances under which they may provide disaster assistance in connection with a qualified disaster specifically to the employers' employees.

It is intended that the making by a private foundation of disaster relief payments that qualify for the presumption stated above (1) will not be treated as an act of self-dealing under section 4941 merely because the recipient is an employee (or family member of an employee) of a disqualified person with respect to the foundation, (2) will be treated as in furtherance of section 170(c)(2)(B) purposes, and (3) will be considered to meet the requirements of section 4945(g) to the extent that they apply. Moreover, contributions to a section 501(c)(3) organization administering relief in a manner outlined above (including those made by employers and any of their employees) are deductible under the generally applicable rules of section 170. Finally, it is confirmed that need-based payments made by an employer-controlled foundation to an individual for exclusive charitable purposes generally are excludable from the recipients' income as gifts. Thus, such payments made by a foundation to relieve distress caused by a qualified disaster are excludable from the recipients' income regardless of whether they fall within the scope of section 139, or any other such provision of the Code providing for an exclusion. The IRS is directed to issue prompt guidance to taxpayers relating to the requirements applicable to private foundations making disaster assistance payments. The principles discussed above should apply to foundations and public charities providing relief in response to both the September 11, 2001, disaster and future qualified disasters.

#### *Effective Date*

The provision applies to taxable years ending on or after September 11, 2001.

- Authority to postpone certain deadlines and required actions (sec. 202 of the bill, sec. 7508A of the Code, and new sec. 518 and sec. 4002 of the Employee Retirement Income Security Act of 1974)*

#### *Present Law*

*In general.* In general, the Secretary of the Treasury may prescribe regulations under which a period of up to 120 days may be disregarded for performing various acts under the Internal Revenue Code, such as filing tax returns, paying taxes, or filing a claim for credit or refund of tax, for any taxpayer determined by the Secretary to be affected by a Presidentially declared disaster (sec. 7508A).

The suspension of time may apply to the following acts: (1) Filing any return of income, estate, or gift tax (except employment

and withholding taxes); (2) payment of any income, estate, or gift tax (except employment and withholding taxes); (3) filing a petition with the Tax Court for redetermination of a deficiency, or for review of a decision rendered by the Tax Court; (4) allowance of a credit or refund of any tax; (5) filing a claim for credit or refund of any tax; (6) bringing suit upon any such claim for credit or refund; (7) assessment of any tax; (8) giving or making any notice or demand for the payment of any tax; or with respect to any liability to the United States in respect of any tax; (9) collection of the amount of any liability in respect of any tax; (10) bringing suit by the United States in respect of any liability in respect of any tax; and (11) any other act required or permitted under the internal revenue laws specified in regulations prescribed by the Secretary of the Treasury.

Individuals may, if they choose, perform any of these acts during the period of suspension.

On September 13, 2001, the IRS issued Notice 2001-61 providing relief to taxpayers affected by the September 11, 2001, terrorist attack. Prior to issuance of this notice, the President had declared certain affected areas to be disaster areas. In addition, on September 14, 2001, the IRS issued Notice 2001-63 providing additional tax relief to taxpayers who found it difficult to meet their tax filing and payment obligations.

**Employee benefit plans.** Questions have arisen about the scope of section 7508A in relation to employee benefit plans. Some acts related to employee benefit plans are not clearly covered by the suspension. For example, a plan sponsor or plan administrator may be required to provide a notice to plan participants or to make a plan contribution, or a plan participant may be required to make a benefit election or take a distribution under the plan. In addition, some acts related to employee benefit plans may be required or provided for under the Employee Retirement Income Security Act ("ERISA") or under the terms of the plan, rather than under the Internal Revenue Code. For example, on September 14, 2001, the Department of Labor issued News Release No. 01-36, announcing that the Pension and Welfare Benefits Administration, the Internal Revenue Service, and the Pension Benefit Guaranty Corporation were extending the deadline for filing Form 5500 and Form 5500-EZ.

#### *Explanation of Provision*

**In general.** The bill redrafts section 7508A to expand its scope and to clarify its application. Specifically, the bill permits the Secretary to suspend the period of time under this provision for up to one year (increased from up to 120 days). The bill also clarifies that interest on underpayments may be waived or abated pursuant to section 7508A with respect to either a declared disaster or a terrorist or military action. The bill clarifies that the Secretary of the Treasury has the authority to postpone actions pursuant to section 7508A in response to a terrorist or military action, regardless of whether a disaster area has been declared by the President in connection with the action. The bill facilitates the prompt issuance of guidance by the Secretary of the Treasury with respect to section 7508A by removing the requirement that regulations be published listing the scope of additional actions that may be postponed pursuant to section 7508(a)(1)(K); accordingly, the Secretary may provide authoritative guidance via a notice or other mechanism of the Secretary's choice that may be issued more rapidly. It is intended that the Secretary construe this authority as broadly as is necessary and appropriate to respond to specific disasters or terrorist or military actions. The author-

ity to postpone "any ... act" is sufficiently broad to encompass, for example, specific deadlines enumerated in the Code, such as those in section 1031 (relating to the exchange of property held for productive use or investment). Similarly, it is intended that the Secretary utilize this authority to address issues that arise from the discovery of tax information subsequent to the filing of a tax return that would affect the tax liability reported on that return.

**Employee benefit plans.** The bill expands and clarifies the scope of the deadlines and required actions that may be postponed pursuant to section 7508A. The bill provides that the Secretary of the Treasury may prescribe a period of up to one year which may be disregarded in determining the date by which any action by a pension or other employee benefit plan, or by a plan sponsor, administrator, participant, beneficiary or other person would be required or permitted to be completed. The bill provides similar authority to the Secretary of Labor and the Pension Benefit Guaranty Corporation with respect to actions within their respective jurisdictions.

The bill is not limited to actions under the Internal Revenue Code. Accordingly, actions under ERISA or under the terms of the plan come within the scope of this provision. Acts performed within the extended period are considered timely under the Internal Revenue Code, ERISA, and the plan. In addition, a plan is not treated as operating in a manner inconsistent with its terms or in violation of its terms merely because acts provided for under the plan are performed during the extended period.

Examples of acts covered by the provision include (1) the filing of a form with the IRS, Department of Labor or the Pension Benefit Guaranty Corporation, (2) an employer's contribution to the plan of required quarterly amounts for the current year or the prior year minimum funding amounts, (3) the filing of an application for a waiver of the minimum funding standard, (4) the payment of premiums to the Pension Benefit Guarantee Corporation, (5) a participant's election of a form of benefits under a plan, (6) the plan administrator's distribution of benefits in accordance with a participant's election, (7) notice to an employee of eligibility for continuation coverage under a group health plan, and (8) an employee's election of continuation coverage.

#### *Effective Date*

The provision applies to disasters and terrorist or military actions occurring on or after September 11, 2001, with respect to any action of the Secretary of the Treasury, the Secretary of Labor, or the Pension Benefit Guaranty Corporation on or after the date of the enactment.

#### *3. Application of certain provisions to terrorist or military actions (sec. 203 of the bill and secs. 104 and 692 of the Code)*

##### *Present Law*

Taxation of disability income of U.S. employees related to terrorist activity outside the United States. Gross income does not include amounts received by an individual as disability income attributable to injuries incurred as a direct result of a terrorist attack (as determined by the Secretary of State) which occurred while the individual was performing official duties as an employee of the United States outside the United States (sec. 104(a)(5)).

Income tax relief for military and civilian U.S. employees who die as a result of terrorist activity outside the United States. Military and civilian employees of the United States who die as a result of wounds or injury incurred outside the United States

in a terroristic or military action are not subject to income tax for the year of death and for prior taxable years beginning with the taxable year prior to the taxable year in which the wounds or injury were incurred. Accordingly, if such an individual is injured and dies in the same taxable year, this exemption from income tax is available for the taxable year of death as well as the prior taxable year.

#### *Explanation of Provision*

Taxation of disability income related to terrorist activity. The bill expands the present-law exclusion from gross income for disability income of U.S. civilian employees attributable to a terrorist attack outside the United States to apply to disability income received by any individual attributable to a terroristic or military action. The bill is not intended to apply to amounts that would have been payable even if the individual had not become disabled as a result of a terrorist or military action.

Income tax relief for individuals who die as a result of terrorist activity. The bill extends the income tax relief provided under present law to U.S. military and civilian personnel who die as a result of terroristic activity or military action outside the United States to such personnel regardless of where the terroristic activity or military action occurred.

#### *Effective Date*

The provision is effective for taxable years ending on or after September 11, 2001.

#### *4. Clarification of due date for airline excise tax deposits (sec. 204 of the bill and sec. 301 of the Air Transportation Safety And Stabilization Act)*

##### *Present Law*

Section 301 of the Air Transportation Safety and System Stabilization Act provides a special rule for the deposit of certain taxes. If a deposit of these taxes was required to be made after September 10, 2001, and before November 15, 2001, they are treated as timely made if deposited by November 15, 2001. The Secretary of the Treasury is given the authority to extend this deadline further, but no later than January 15, 2002. For eligible air carriers, the special deposit rules are applicable to the excise taxes imposed on air travel. The special deposit rules were also applied inadvertently to the deposit of the following employment taxes: both the employer and employee portions of FICA, railroad retirement taxes, and income taxes withheld by employers from employees.

#### *Explanation of Provision*

The applicability of these special deposit rules to employment taxes is repealed. The applicability of these special deposit rules to excise taxes is unaffected. It is intended that no penalties be imposed with respect to taxes that were not deposited timely in reliance on the provisions of the Air Transportation Safety and System Stabilization Act prior to the enactment of this provision.

#### *Effective Date*

The provision is effective as if included in section 301 of the Air Transportation Safety and System Stabilization Act.

#### *5. Treatment of purchase of structured settlements (sec. 205 of the bill and new sec. 5891 of the Code)*

##### *Present Law*

Present law provides tax-favored treatment for structured settlement arrangements for the payment of damages on account of personal injury or sickness.

Under present law, an exclusion from gross income is provided for amounts received for agreeing to a qualified assignment to the extent that the amount received does not exceed the aggregate cost of any qualified

funding asset (sec. 130). A qualified assignment means any assignment of a liability to make periodic payments as damages (whether by suit or agreement) on account of a personal injury or sickness (in a case involving physical injury or physical sickness), provided the liability is assumed from a person who is a party to the suit or agreement, and the terms of the assignment satisfy certain requirements. Generally, these requirements are that (1) the periodic payments are fixed as to amount and time; (2) the payments cannot be accelerated, deferred, increased, or decreased by the recipient; (3) the assignee's obligation is no greater than that of the assignor; and (4) the payments are excludable by the recipient under section 104(a)(1) or (2) as workmen's compensation for personal injuries or sickness, or as damages on account of personal physical injuries or physical sickness.

A qualified funding asset means an annuity contract issued by an insurance company licensed in the U.S., or any obligation of the United States, provided the annuity contract or obligation meets statutory requirements. An annuity that is a qualified funding asset is not subject to the rule requiring current inclusion of the income on the contract which generally applies to annuity contract holders that are not natural persons (e.g., corporations) (sec. 72(u)(3)(C)). In addition, when the payments on the annuity are received by the structured settlement company and included in income, the company generally may deduct the corresponding payments to the injured person, who, in turn, excludes the payments from his or her income (sec. 104). Thus, neither the amount received for agreeing to the qualified assignment of the liability to pay damages, nor the income on the annuity that funds the liability to pay damages, generally is subject to tax.

The exclusion for recipients of the periodic payments received under a structured settlement arrangement as damages for personal physical injuries or physical sickness can be contrasted with the treatment of investment earnings that are not paid as damages. If a recipient of damages chooses to receive a lump sum payment (excludable from income under sec. 104), and then to invest it himself, generally the earnings on the investment are includable in income. For example, if he recipient uses the lump sum to purchase an annuity contract providing for periodic payments, then a portion of each payment under the annuity contract is includable in income, and the balance is excludable under present-law rules based on the ratio of the individual's investment in the contract to the expected return on the contract (sec. 72(b)).

Present law provides that the payments to the injured person under the qualified assignment cannot be accelerated, deferred, increased, or decreased by the recipient (sec. 130). Consistent with these requirements, it is understood that contracts under structured settlement arrangements generally contain anti-assignment clauses. It is understood, however, that injured persons may nonetheless be willing to accept discounted lump sum payments from certain "factoring" companies in exchange for their payment streams. The tax effect on the parties of these transactions may not be completely clear under present law.

#### *Explanation of Provision*

The bill generally imposes an excise tax on any person who acquires certain payment rights under a structured settlement arrangement from a structured settlement recipient for consideration. The amount of the excise tax is 40 percent of the excess of (1)

the undiscounted amount of the payments being acquired, over (2) the total amount actually paid to acquire them.

The 40-percent excise tax does not apply, however, if the transfer is approved in advance in a final order, judgment or decree that: (1) finds that the transfer does not contravene any Federal or State statute or the order of any court or responsible administrative authority; (2) finds that the transfer is in the best interest of the payee, taking into account the welfare and support of the payee's dependents; and (3) is issued under an applicable State statute by a court or is issued by the responsible administrative authority. Rules are provided for determining the applicable State statute.

The provision also provides that the acquisition transaction does not affect the application of certain present-law rules, if those rules were satisfied at the time the structured settlement was entered into. The rules are section 130 (relating to an exclusion from gross income for personal injury liability assignments), section 72 (relating to annuities), sections 104(a)(1) and (2) (relating to an exclusion for amounts received under workers' compensation acts and for damages on account of personal physical injuries or physical sickness), and section 461(h) (relating to the time of economic performance in determining the taxable year of a deduction).

#### *Effective Date*

The provision generally is effective for acquisition transactions entered into on or after 30 days following enactment. A transition rule applies during the period from that date to July 1, 2002. Under the transition rule, if no applicable State law (relating to the best interest of the payee) applies to a transfer during that period, then the exception from the 40 percent excise tax is available without the otherwise required court (or administrative) order, provided certain disclosure requirements are met. Under the transition rule, the person acquiring the structured settlement payments is required to disclose in advance to the payee: (1) the amounts and due dates of the payments to be transferred; (2) the aggregate amount to be transferred; (3) the consideration to be received by the payee; (4) the discounted present value of the transferred payments; and (5) the expenses to be paid by the payee or deducted from the payee's proceeds.

The provision providing that the acquisition transaction does not affect the application of certain present-law rules is effective for transactions entered into on or after the 30th day following enactment.

#### *6. Personal exemption deduction for certain disability trusts (sec. 206 of the bill and sec. 642 of the Code)*

##### *Present Law*

Present law provides a \$300 personal exemption for trusts that are required by their governing instruments to currently distribute all of their income. For other trusts, present law provides a \$100 personal exemption. These deductions are in lieu of the personal exemption that generally is provided under section 151 for individuals (sec. 642(b)).

Under present law, a grantor who transfers property to a trust while retaining certain powers or interests over the trust is treated as the owner of the trust for income tax purposes under the so-called "grantor trust rules" (secs. 671-677). Similarly, a third party who is not adverse to the grantor is treated as the owner of the trust under these rules to the extent that the third party is granted certain powers over the trust. If a grantor or third party is treated as the owner of a trust

(a "grantor trust"), the income and deductions of the trust are included directly in the taxable income of the grantor or third party. Because the personal exemption under section 642(b) applies to income that is taxable to a trust (rather than a grantor or third party), the personal exemption under section 642(b) does not apply to grantor trusts.

#### *Explanation of Provision*

The bill provides that certain disability trusts may claim a personal exemption in an amount that is based upon the personal exemption provided for individuals under section 151(d), rather than the \$300 or \$100 personal exemption provided under present law. The provision applies to disability trusts described in certain subsections of 42 U.S.C. sec. 1396p (relating to liens, adjustments, transfers of assets, and the treatment of trust amounts for purposes of determining eligibility for benefits under Medicaid State plans).

The provision only applies to disability trusts the beneficiaries of which are disabled (other than holders of a remainder or reversionary interest in the trust), within the meaning of 42 U.S.C. sec. 1382c(a)(3) (relating to the definition of a "disabled individual" for purposes of determining eligibility for Supplemental Security Income), and only if such beneficiaries are receiving government disability benefits based upon a determination of disability under 42 U.S.C. sec. 1382c(a)(3).

The provision applies if all of the beneficiaries of the trust at the end of the taxable year are determined under 42 U.S.C. sec. 1382c(a)(3) to be disabled for some portion of such year. Thus, a disability trust may claim the personal exemption under the provision even if one or more of the beneficiaries becomes no longer disabled during the taxable year. However, the trust may claim the personal exemption for the following taxable year only if such individual or individuals are no longer beneficiaries of the trust at the end of the following taxable year (i.e., all remaining beneficiaries of the trust at the end of the following taxable year are disabled or were disabled during some portion of such year). In the case of a disability trust with a single beneficiary, the trust may claim the personal exemption under the provision for the taxable year during which the beneficiary becomes no longer disabled, but not for subsequent taxable years.

The personal exemption provided for disability trusts under the provision is equal in amount to the section 151(d) personal exemption for unmarried individuals with no dependents and is subject to a phaseout, which is determined by reference to the phaseout of the personal exemption for such individuals under sec. 151(d)(3)(C)(iii). For purposes of computing the phaseout of the personal exemption under the provision, the adjusted gross income of the trust is determined by reference to section 67(e) (relating to the determination of adjusted gross income of estates and trusts for purposes of computing the 2-percent floor on miscellaneous itemized deductions).

The provision does not affect the determination of whether a disability trust is treated as a grantor trust under the present-law grantor trust rules, and does not change the inapplicability of the personal exemption under section 642(b) to grantor trusts. Thus, the provision does not apply to disability trusts that are treated as grantor trusts.

#### *Effective Date*

The provision applies to taxable years of disability trusts ending on or after September 11, 2001.

C. TAX BENEFITS FOR AREA OF NEW YORK CITY DAMAGED IN TERRORIST ATTACKS ON SEPTEMBER 11, 2001

1. *Special depreciation allowance for certain property (sec. 301(a) of the bill and new sec. 1400L of the Code)*

*Present Law*

**Depreciation deductions.** A taxpayer is allowed to recover, through annual depreciation deductions, the cost of certain property used in a trade or business or for the production of income. The amount of the depreciation deduction allowed with respect to tangible property for a taxable year is determined under the modified accelerated cost recovery system ("MACRS"). Under MACRS, different types of property generally are assigned applicable recovery periods and depreciation methods. The recovery periods applicable to most tangible personal property (generally tangible property other than residential rental property and nonresidential real property) range from 3 to 25 years. The depreciation methods generally applicable to tangible personal property are the 200-percent and 150-percent declining balance methods, switching to the straight-line method for the taxable year in which the depreciation deduction would be maximized. In lieu of depreciation, a taxpayer with a sufficiently small amount of annual investment may elect to deduct up to \$24,000 (for taxable years beginning in 2001 or 2002) of the cost of qualifying property placed in service for the taxable year (sec. 179). For taxable years beginning in 2003 and thereafter, the amount deductible under section 179 is increased to \$25,000.

Section 167(f)(1) provides that capitalized computer software costs, other than computer software to which section 197 applies, are recovered ratably over 36 months.

*Explanation of Provision*

The provision allows an additional first-year depreciation deduction equal to 30 percent of the adjusted basis of qualified New York Liberty Zone ("Liberty Zone") property. The additional depreciation deduction is allowed for both regular tax and alternative minimum tax purposes for the taxable year in which the property is placed in service. The basis of the property and the depreciation allowances in the year of purchase and later years are appropriately adjusted to reflect the additional first-year depreciation deduction. A taxpayer is allowed to elect out of the additional first-year depreciation for any class of property for any taxable year.

Property qualifies for the additional first-year depreciation deduction if the property is (1) property to which MACRS applies except qualified leasehold improvement property and any railroad grading or tunnel bore, or (2) computer software other than computer software covered by section 197 and, substantially all of the use of such property is in the Liberty Zone. In order to be qualified Liberty Zone property, the original use of the property in the Liberty Zone must commence with the taxpayer on or after September 11, 2001. A special rule precludes the additional first-year depreciation deduction for property that is required to be depreciated under the alternative depreciation system of MACRS.

In addition, property qualifies only if acquired by purchase by the taxpayer (1) after September 10, 2001 and placed in service on or before December 31, 2006, and no binding written contract for the acquisition is in effect before September 11, 2001. For nonresidential real property and residential rental property the property must be placed in service on or before December 31, 2009 in lieu of December 31, 2006. Finally, property that is manufactured, constructed, or produced by

the taxpayer for use by the taxpayer qualifies if the taxpayer begins the manufacture, construction, or production of the property after September 10, 2001, and the property is placed in service on or before December 31, 2006 (and all other requirements are met). Property that is manufactured, constructed, or produced for the taxpayer by another person under a contract that is entered into prior to the manufacture, construction, or production of the property is considered to be manufactured, constructed, or produced by the taxpayer.

The Liberty Zone means the area located on or south of Canal Street, East Broadway (east of its intersection with Canal Street), or Grand Street (east of its intersection with East Broadway) in the Borough of Manhattan in the City of New York, New York.

The following examples illustrate the operation of the provision.

**Example 1.**—Assume that on March 1, 2002, a calendar year taxpayer acquires and places in service qualified property in the Liberty Zone that costs \$1 million. Under the provision, the taxpayer is allowed an additional first-year depreciation deduction of \$300,000. The remaining \$700,000 of adjusted basis is recovered in 2002 and subsequent years pursuant to the depreciation rules of present law.

**Example 2.**—Assume that on March 1, 2002, a calendar year taxpayer acquires and places in service qualified property in the Liberty Zone that costs \$100,000. In addition, assume that the property qualifies for the expensing election under section 179. Under the provision, the taxpayer is first allowed a \$59,000 deduction under section 179. The taxpayer then is allowed an additional first-year depreciation deduction of \$12,300 based on \$41,000 (\$100,000 original cost less the section 179 deduction of \$59,000) of adjusted basis. Finally, the remaining adjusted basis of \$28,700 (\$41,000 adjusted basis less \$12,300 additional first-year depreciation) is to be recovered in 2002 and subsequent years pursuant to the depreciation rules of present law.

2. *Treatment of qualified leasehold improvement property (sec. 301(b) of the bill and new sec. 1400L of the Code)*

*Present Law*

**Depreciation of leasehold improvements.** Depreciation allowances for property used in a trade or business generally are determined under the modified Accelerated Cost Recovery System ("MACRS") of section 168. Depreciation allowances for improvements made on leased property are determined under MACRS, even if the MACRS recovery period assigned to the property is longer than the term of the lease (sec. 168(i)(8)). This rule applies regardless whether the lessor or lessee places the leasehold improvements in service. If a leasehold improvement constitutes an addition or improvement to nonresidential real property already placed in service, the improvement is depreciated using the straight-line method over a 39-year recovery period, beginning in the month the addition or improvement was placed in service (secs. 168(b)(3), (c)(1), (d)(2), and (i)(6)).

Treatment of dispositions of leasehold improvements. A lessor of leased property that disposes of a leasehold improvement which was made by the lessor for the lessee of the property may take the adjusted basis of the improvement into account for purposes of determining gain or loss if the improvement is irrevocably disposed of or abandoned by the lessor at the termination of the lease. This rule conforms the treatment of lessors and lessees with respect to leasehold improvements disposed of at the end of a term or lease. For purposes of applying this rule, it is expected that a lessor must be able to separately account for the adjusted basis of

the leasehold improvement that is irrevocably disposed of or abandoned. This rule does not apply to the extent section 280B applies to the demolition of a structure, a portion of which may include leasehold improvements.

*Explanation of Provision*

The provision provides that 5-year property for purposes of the depreciation rules of section 168 includes qualified leasehold improvement property placed in service after September 10, 2001 and before January 1, 2007. The straight-line method is required to be used with respect to qualified leasehold improvement property.

Qualified leasehold improvement property is any improvement to an interior portion of a building that is nonresidential real property if such building is located in the New York Liberty Zone, provided certain requirements are met. The improvement must be made under or pursuant to a lease either by the lessee (or sublessee) of that portion of the building, or by the lessor of that portion of the building. That portion of the building is to be occupied exclusively by the lessee (or any sublessee). The improvement must be placed in service more than three years after the date the building was first placed in service.

Qualified leasehold improvement property does not include any improvement for which the expenditure is attributable to the enlargement of the building, any elevator or escalator, any structural component benefiting a common area, or the internal structural framework of the building.

A 9-year period is specified as the class life of qualified leasehold improvement property for purposes of the alternative depreciation system. Therefore, the general rule that the class life for nonresidential real and residential rental property is 40 years does not apply to qualified leasehold improvement property.

For purposes of the provision, a commitment to enter into a lease is treated as a lease, and the parties to the commitment are treated as lessor and lessee. A lease between related persons is not considered a lease for this purpose.

Under the provision, an improvement made by the person who was the lessor of the improvement when it was placed in service generally is treated as qualified leasehold improvement property only so long as the improvement is held by that person. Exceptions are provided under this rule in the case of certain changes in form of business. Under these exceptions, property does not cease to be qualified leasehold improvement property under the provision by reason of (1) death, (2) a transaction to which section 381 (relating to carryovers in certain corporate acquisitions) applies, or (3) a mere change in the form of conducting the trade or business so long as the property is retained in the business as qualified leasehold improvement property and the taxpayer retains a substantial interest in the business.

3. *Increase in expensing treatment for business property used in the New York Liberty Zone (sec. 301(c) of the bill and new sec. 1400L of the Code)*

*Present Law*

Present law provides that, in lieu of depreciation, a taxpayer with a sufficiently small amount of annual investment may elect to deduct up to \$24,000 (for taxable years beginning in 2001 or 2002) of the cost of qualifying property placed in service for the taxable year (sec. 179). This amount is increased to \$25,000 of the cost of qualified property placed in service for taxable years beginning in 2003 and thereafter. The \$24,000 (\$25,000 for taxable years beginning in 2003 and thereafter) amount is phased-out (but not below

zero) by the amount by which the cost of qualifying property placed in service during the taxable year exceeds \$200,000.

Additional section 179 incentives are provided with respect to a qualified zone property used by a business in an empowerment zone (sec. 1397A). Such a business may elect to deduct an additional \$20,000 (i.e., a total of \$44,000) of the cost of qualified zone property placed in service in year 2001. The \$20,000 amount is increased to \$35,000 for taxable years beginning in 2002 and thereafter. In addition, the phase-out range is applied by taking into account only 50 percent of the cost of qualified zone property that is section 179 property.

The amount eligible to be expensed for a taxable year may not exceed the taxable income for a taxable year that is derived from the active conduct of a trade or business (determined without regard to this provision). Any amount that is not allowed as a deduction because of the taxable income limitation may be carried forward to succeeding taxable years (subject to similar limitations). No general business credit under section 38 is allowed with respect to any amount for which a deduction is allowed under section 179.

#### *Explanation of Provision*

The provision increases the amount a taxpayer can deduct under section 179 for qualifying property used in the New York Liberty Zone. Specifically, the provision increases the maximum dollar amount that may be deducted under section 179 by the lesser of (1) \$35,000 or (2) the cost of qualifying property placed in service during the taxable year. This amount is in addition to the amount otherwise deductible under the present-law rules of section 179.

Qualifying property means section 179 property purchased and placed in service by the taxpayer after September 10, 2001 and before January 1, 2007, where (1) substantially all of its use in the New York Liberty Zone in the active conduct of a trade or business by the taxpayer in the zone, and (2) the original use of which in the New York Liberty Zone commences with the taxpayer after September 10, 2001.

As under present law with respect to empowerment zones, the phase-out range for the section 179 deduction attributable to New York Liberty Zone property is applied by taking into account only 50 percent of the cost of New York Liberty Zone property that is section 179 property. Also, no general business credit under section 38 is allowed with respect to any amount for which a deduction is allowed under section 179.

4. *Authorize issuance of tax-exempt private activity bonds for rebuilding the portion of New York City damaged in the September 11, 2001, terrorist attack (sec. 301(d) of the bill and new sec. 1400L of the Code)*

#### *Present Law*

##### *Rules governing issuance of tax-exempt bonds*

###### *In general*

Interest on debt incurred by States or local governments is excluded from income if the proceeds of the borrowing are used to carry out governmental functions of those entities or the debt is repaid with governmental funds (sec. 103). Interest on bonds that nominally are issued by States or local governments, but the proceeds of which are used (directly or indirectly) by a private person and payment of which is derived from funds of such a private person is taxable unless the purpose of the borrowing is approved specifically in the Code or in a non-Code provision of a revenue Act. These bonds are called "private activity bonds." The term "private person" includes the Federal Government

and all other individuals and entities other than States or local governments.

##### *Private activities eligible for financing with tax-exempt private activity bonds*

Present law includes several exceptions permitting States or local governments to act as conduits providing tax-exempt financing for private activities. Both capital expenditures and limited working capital expenditures of charitable organizations described in section 501(c)(3) of the Code ("qualified 501(c)(3) bonds") may be financed with tax-exempt bonds.

States or local governments may issue tax-exempt "exempt-facility bonds" to finance property for certain private businesses. Business facilities eligible for this financing include transportation (airports, ports, local mass commuting, and high speed intercity rail facilities); privately owned and/or privately operated public works facilities (sewage, solid waste disposal, local district heating or cooling, and hazardous waste disposal facilities); privately owned and/or operated low-income rental housing; and certain private facilities for the local furnishing of electricity or gas. A further provision allows tax-exempt financing for "environmental enhancements of hydro-electric generating facilities." Tax-exempt financing also is authorized for capital expenditures for small manufacturing facilities and land and equipment for first-time farmers ("qualified small-issue bonds"), local redevelopment activities ("qualified redevelopment bonds"), and eligible empowerment zone and enterprise community businesses.

Tax-exempt private activity bonds also may be issued to finance limited non-business purposes: certain student loans and mortgage loans for owner-occupied housing ("qualified mortgage bonds" and "qualified veterans' mortgage bonds"). Purchasers of houses financed with qualified mortgage bonds must be first-time homebuyers satisfying prescribed income limits, the purchase prices of the houses is limited, the amount by which interest rates charged to homebuyers may exceed the interest paid by issuers is restricted, and a recapture provision applies to target the benefit to purchasers having longer-term need for the subsidy provided by the bonds. Qualified veterans' mortgage bonds are not subject to these limitations, but these bonds may only be issued by five States and may only be used to finance mortgage loans to veterans who served on active duty before January 1, 1977.

With the exception of qualified 501(c)(3) bonds, private activity bonds may not be issued to finance working capital requirements of private businesses.

In most cases, the aggregate volume of tax-exempt private activity bonds that may be issued in a State is restricted by annual volume limits. These annual volume limits are equal to \$62.50 per resident of the State, or \$187.5 million of greater. The volume limits are scheduled to increase to the greater of \$75 per resident of the State or \$225 million in calendar year 2002. After 2002, the volume limits will be indexed annually for inflation.

##### *Arbitrage restrictions on tax-exempt bonds*

The Federal income tax does not apply to the income of States and local governments that is derived from the exercise of an essential governmental function. To prevent these tax-exempt entities from issuing more Federally subsidized tax-exempt bonds than is necessary for the activity being financed or from issuing such bonds earlier than needed for the purpose of the borrowing, the Code includes arbitrage restrictions limiting the ability to profit from investment of tax-exempt bond proceeds. In general, arbitrage

profits may be earned only during specified periods (e.g., defined "temporary periods" before funds are needed for the purpose of the borrowing) or on specified types of investments (e.g., "reasonably required reserve or replacement funds"). Subject to limited exceptions, profits that are earned during these periods or on such investments must be rebated to the Federal Government. Governmental bonds are subject to less restrictive arbitrage rules than most private activity bonds.

##### *Miscellaneous additional restrictions on tax-exempt bonds*

Several additional restrictions apply to the issuance of tax-exempt bonds. First, private activity bonds (other than qualified 501(c)(3) bonds) may not be advance refunded. Governmental bonds and qualified 501(c)(3) bonds may be advance refunded one time. An advance refunding occurs when the refunded bonds are not retired within 90 days of issuance of the refunding bonds.

Issuance of private activity bonds is subject to restrictions on use of proceeds for the acquisition of land and existing property, use of proceeds to finance certain specified facilities (e.g., airplanes, skyboxes, other luxury boxes, health club facilities, gambling facilities, and liquor stores) and use of proceeds to pay costs of issuance (e.g., bond counsel and underwriter fees). Additionally, the term of the bonds generally may not exceed 120 percent of the economic life of the property being financed and certain public approval requirements (similar to requirements that typically apply under State law to issuance of governmental debt) apply under Federal law to issuance of private activity bonds. Present law precludes substantial users of property financed with private activity bonds from owning the bonds to prevent their deducting tax-exempt interest paid to themselves. Finally, owners of most private-activity-bond-financed property are subject to special "change-in-use" penalties if the use of the bond-financed property changes to a use that is not eligible for tax-exempt financing while the bonds are outstanding.

#### *Explanation of Provision*

The provision authorizes issuance of \$15 billion of tax-exempt private activity bonds to finance the construction and rehabilitation of commercial and residential rental real property in a newly designated Liberty Zone ("Zone") of New York City. Property eligible for financing with these bonds includes buildings and their structural components, fixed tenant improvements, and public utility property (e.g., gas, water, electric and telecommunication lines), all as designated by the Governor of New York. Bonds authorized under the provision for the Zone may be issued during the period January 1, 2002 through December 31, 2004. The Zone is defined as the area located on or south of Canal Street, East Broadway (east of its intersection with Canal Street), or Grand Street (east of its intersection with East Broadway) in the Borough of Manhattan.

If the Governor determines that it is not feasible to use all of the authorized bond proceeds for property located in the Zone, up to \$7 billion of bond proceeds may be used for the construction and rehabilitation of non-residential real property (including fixed tenant improvements) located outside the Zone and within New York City. Bond-financed property located outside the Zone is required to meet the additional requirement that the project have at least 100,000 square feet of usable office or other commercial space in a single building or multiple adjacent buildings.

Subject to the following exceptions and modifications, issuance of these tax-exempt

bonds is subject to the general rules applicable to issuance of exempt-facility private activity bonds: (1) Issuance of the bonds is not subject to the aggregate annual State private activity bond volume limits (sec. 146); (2) the restriction on use of private activity bond proceeds to finance land acquisition is determined by reference to the \$15 billion amount of bonds authorized under the provision rather than by reference to individual bond issues (sec. 147(c)); (3) the restriction on acquisition of existing property is applied using a minimum requirement of 50 percent of the cost of acquiring the building being devoted to rehabilitation (sec. 147(d)); (4) the special arbitrage expenditure rules for certain construction bond proceeds apply to construction proceeds of the bonds (sec. 148(f)(4)(C)); (5) loan repayments may not be used to originate new loans; (6) interest on the bonds is not a preference item for purposes of the alternative minimum tax preference for private activity bond interest (sec. 57(a)(5)); and (7) property located within the Zone that is financed with proceeds of these bonds (but not such property that is located outside the Zone) is not considered tax-exempt bond financed property to the extent of such financing and is eligible for cost recovery deductions computed under the general MACRS system and the bonus depreciation provided under the provision (to the extent that the property otherwise qualifies for these benefits).

#### Effective Date

The provision is effective for bonds issued during the period January 1, 2002 through December 31, 2004.

#### 5. Extension of replacement period for certain property involuntarily converted in the New York Liberty Zone (sec. 301(e) of the bill and new sec. 1400L of the Code)

##### Present Law

A taxpayer may elect not to recognize gain with respect to property that is involuntarily converted if the taxpayer acquires within an applicable period (the "replacement period") property similar or related in service or use (sec. 1033). If the taxpayer does not replace the converted property with property similar or related in service or use, then gain generally is recognized. If the taxpayer elects to apply the rules of section 1033, gain on the converted property is recognized only to the extent that the amount realized on the conversion exceeds the cost of the replacement property. In general, the replacement period begins with the date of the disposition of the converted property and ends two years after the close of the first taxable year in which any part of the gain upon conversion is realized. The replacement period is extended to three years if the converted property is real property held for the productive use in a trade business or for investment.

Special rules apply for property converted in a Presidentially declared disaster. With respect to a principal residence that is converted in a Presidentially declared disaster, no gain is recognized by reason of the receipt of insurance proceeds for unscheduled personal property that was part of the contents of such residence. In addition, the replacement period for the replacement of such a principal residence is extended to four years after the close of the first taxable year in which any part of the gain upon conversion is realized. With respect to investment or business property that is converted in a Presidentially declared disaster, any tangible property acquired and held for productive use in a business is treated as similar or related in service or use to the converted property.

#### Explanation of Provision

The provision extends the replacement period to five years for a taxpayer to purchase

property to replace property that was involuntarily converted within the New York Liberty Zone as a result of the terrorist attacks that occurred on September 11, 2001. However, the five-year period is available but only if substantially all of the use of the replacement property is in New York City. In all other cases, the present-law replacement period rules continue to apply.

#### Effective Date

The provision is effective for property in the New York Liberty Zone involuntarily converted as a result of the terrorist attacks occurring on September 11, 2001.

#### D. DISCLOSURE OF TAX INFORMATION IN TERRORISM AND NATIONAL SECURITY INVESTIGATIONS

(SEC. 401 OF THE BILL AND SEC. 6103 OF THE CODE)

##### Present Law

In general, Returns and return information are confidential (sec. 6103). A "return" is any tax return, information return, declaration of estimated tax, or claim for refund filed under the Code on behalf of or with respect to any person. The term return also includes any amendment or supplement, including supporting schedules, attachments, or lists, which are supplemental to or are part of a filed return. Return information is defined broadly. It includes the following information: A taxpayer's identity, the nature, source or amount of income, payments, receipts, deductions, exemptions, credits, assets, liabilities, net worth, tax liability, tax withheld, deficiencies, overassessments, or tax payments; whether the taxpayer's return was, is being, or will be examined or subject to other investigation or processing; any other data, received by, recorded by, prepared by, furnished to, or collected by the Secretary with respect to a return or with respect to the determination of the existence, or possible existence, of liability (or the amount thereof) of any person under this title for any tax, penalty, interest, fine, forfeiture, or other imposition, or offense; any part of any written determination or any background file document relating to such written determination which is not open to public inspection under section 6110; Any advance pricing agreement entered into by a taxpayer and the Secretary and any background information related to the agreement or any application for an advance pricing agreement; and any agreement under section 7121 (relating to closing agreements), and any similar agreement, and any background information related to such agreement or request for such agreement (sec. 6103(b)(2)).

The term "return information" does not include data in a form that cannot be associated with or otherwise identify, directly or indirectly, a particular taxpayer. "Taxpayer return information" means return information which is filed with, or furnished to, the Internal Revenue Service by or on behalf of the taxpayer to whom such return information relates.

Section 6103 provides that returns and return information may not be disclosed by the IRS, other Federal employees, State employees, and certain others having access to the information except as provided in the Internal Revenue Code. Section 6103 contains a number of exceptions to this general rule of nondisclosure that authorize disclosure in specially identified circumstances (including nontax criminal investigations) when certain conditions are satisfied.

Recordkeeping and safeguard requirements also are imposed. These requirements establish a system of records to keep track of disclosure requests and disclosures and to ensure that the information is securely stored and that access to the information is re-

stricted to authorized persons. These conditions and safeguards are intended to ensure that an individual's right to privacy is not unduly compromised and the information is not misused or improperly disclosed. The IRS also must submit reports to the Joint Committee on Taxation and to the public regarding requests for and disclosures made of returns and return information 90 days after the close of the calendar year (sec. 6103(p)(3)). Criminal and civil sanctions apply to the unauthorized disclosure or inspection of returns and return information (secs. 7213, 7213A, and 7431).

#### Disclosure of returns and return information for use in nontax criminal investigations—by ex parte court order

A Federal agency enforcing a nontax criminal law must obtain an ex parte court order to receive a return or taxpayer return information (i.e., that information submitted by or on behalf of a taxpayer to the IRS) (sec. 6103(i)(1)). Only the Attorney General, Deputy Attorney General, Assistant Attorney Generals, United States Attorneys, Independent Counsels, or an attorney in charge of an organized crime strike force may authorize an application for the order.

For a judge or magistrate to grant such an order, the application must demonstrate that: There is reasonable cause to believe, based upon information believed to be reliable, that a specific criminal act has been committed; there is reasonable cause to believe that the return or return information is or may be relevant to a matter relating to the commission of such act; the return or return information is sought exclusively for use in a Federal criminal investigation or proceeding concerning such act; and the information sought reasonably cannot be obtained, under the circumstances, from another source.

Pursuant to the ex parte order, the information may be disclosed to officers and employees of the Federal agency who are personally and directly engaged in (1) the preparation for any judicial or administrative proceeding pertaining to the enforcement of a specifically designated Federal criminal statute (not involving tax administration) to which the United States or such agency is a party, (2) any investigation which may result in such a proceeding, or (3) any Federal grand jury proceeding pertaining to enforcement of such a criminal statute to which the United States or such agency is or may be a party.

A Federal agency may obtain, by ex parte court order, the return and return information of a fugitive from justice for purposes of locating such individual (sec. 6103(i)(5)). The application for an ex parte order must establish that (1) a Federal felony arrest warrant has been issued and taxpayer is a fugitive from justice, (2) the return or return information is sought exclusively for locating the fugitive taxpayer, and (3) reasonable cause exists to believe the information may be relevant in determining the location of the fugitive. Only the Attorney General, Deputy Attorney General, Assistant Attorney Generals, United States Attorneys, Independent Counsels, or an attorney in charge of an organized crime strike force may authorize an application for this order. Once a court grants the application for an ex parte order, the return or return information may be disclosed to any Federal agency exclusively for purposes of locating the fugitive individual.

#### Agency request procedure for disclosure of return information other than taxpayer return information to the IRS for use in criminal investigations

For nontax criminal investigations, Federal agencies can obtain return information, other than taxpayer return information,

without a court order. For nontax criminal purposes, the head of a Federal agency and other persons specifically identified by section 6103 may make a written request for return information that was not provided to the IRS by the taxpayer or his representative (sec. 6103(i)(2)). The written request must contain: The taxpayer's name, and address; the taxable period for which the information is sought; the statutory authority under which the criminal investigation or judicial, administrative or grand jury proceeding is being conducted; and the reasons why such disclosure is or may be relevant to the investigation or proceeding. Unlike the requirements for an ex parte order, the requesting agency does not have to demonstrate that the information sought is not reasonably available elsewhere.

*Disclosure of return information to apprise appropriate officials of criminal activities or emergency circumstances*

*Criminal activities*

Section 6103 permits the IRS to disclose return information (other than taxpayer return information) that may be evidence of a crime (sec. 6103(i)(3)(A)). The IRS may make the disclosure in writing to the head of a Federal agency charged with enforcing the laws to which the crime relates. Return information also may be disclosed to apprise Federal law enforcement of the imminent flight of any individual from Federal prosecution. The IRS may not disclose returns under this provision.

*Emergency circumstances*

In cases of imminent danger of death or physical injury to an individual, the IRS may disclose return information to Federal and State law enforcement agencies (sec. 6103(i)(3)(B)). The statute does not grant authority, however, to disclose return information to local law enforcement, such as city, county, or town police. The statute does not permit the IRS to disclose return information concerning terrorist activities if there is no imminent danger of death or physical injury to an individual.

*Tax convention information.* With limited exceptions, the Code prohibits the disclosure of tax convention information (sec. 6105). A tax convention is any: (1) income tax or gift and estate tax convention, or (2) other convention or bilateral agreement (including multilateral conventions and agreements and any agreement with a possession of the United States) providing for the avoidance of double taxation, the prevention of fiscal evasion, nondiscrimination with respect to taxes, the exchange of tax relevant information with the United States, or mutual assistance in tax matters. Tax convention information is any: (1) agreement entered into with the competent authority of one or more foreign governments pursuant to a tax convention; (2) application for relief under a tax convention; (3) background information related to such agreement or application; (4) document implementing such agreement; and (5) other information exchanged pursuant to a tax convention which is treated as confidential or secret under the tax convention.

The general rule that tax convention information cannot be disclosed does not apply to the disclosure of tax convention information to persons or authorities (including courts and administrative bodies) that are entitled to disclosure under the tax convention and any generally applicable procedural rules regarding applications for relief under a tax convention. It also does not apply to the disclosure of tax convention information not relating to a particular taxpayer if the IRS determines, after consultation with the parties to the tax convention, that such disclosure would not impair tax administration.

*Explanation of Provision*

In general, The bill expands the availability of returns and return information for purposes of investigating terrorist incidents, threats, or activities, and for analyzing intelligence concerning terrorist incidents, threats, or activities. In general, under the bill, returns and taxpayer return information must be obtained pursuant to an ex parte court order. Return information, other than taxpayer return information, generally is available upon a written request meeting specific requirements. Present-law safeguards, recordkeeping, reporting requirements, and civil and criminal penalties for unauthorized disclosures apply to disclosures made pursuant to the bill. The bill also permits the disclosure of tax convention information for the same purposes and in the same manner that return information is made available under the bill. No disclosures may be made under the bill after December 31, 2003.

*Disclosure of returns and return information taxpayer return information—by ex parte court order*

*Ex parte court orders sought by Federal law enforcement and Federal intelligence agencies.*—The bill permits, pursuant to an ex parte court order, the disclosure of returns and return information (including taxpayer return information) to certain officers and employees of a Federal law enforcement agency or Federal intelligence agency. These officers and employees are required to be personally and directly engaged in any investigation of, response to, or analysis of intelligence and counterintelligence information concerning any terrorist incident, threat, or activity. These officers and employees are permitted to use this information solely for their use in the investigation, response, or analysis, and in any judicial, administrative, or grand jury proceeding, pertaining to any such terrorist incident, threat, or activity.

The Attorney General, Deputy Attorney General, Associate Attorney General, an Assistant Attorney General, or a United States attorney, may authorize the application for the ex parte court order to be submitted to a Federal district court judge or magistrate. The Federal district court judge or magistrate would grant the order if based on the facts submitted he or she determines that: There is reasonable cause to believe, based upon information believed to be reliable, that the return or return information may be relevant to a matter relating to such terrorist incident, threat, or activity; and the return or return information is sought exclusively for the use in a Federal investigation, analysis, or proceeding concerning any terrorist incident, threat, or activity.

Special rule for ex parte court ordered disclosure initiated by the IRS.—If the Secretary of Treasury possesses returns or return information that may be related to a terrorist incident, threat or activity, the Secretary of the Treasury (or his delegate), may on his own initiative, authorize an application for an ex parte court order to permit disclosure to Federal law enforcement. In order to grant the order, the Federal district court judge or magistrate must determine that there is reasonable cause to believe, based upon information believed to be reliable, that the return or return information may be relevant to a matter relating to such terrorist incident, threat, or activity. Under the bill, the information may be disclosed only to the extent necessary to apprise the appropriate federal law enforcement agency responsible for investigating or responding to a terrorist incident, threat, or activity and for officers and employees of that agency to investigate or respond to such terrorist incident, threat, or activity.

Further, use of the information is limited to use in a Federal investigation, analysis, or proceeding concerning a terrorist incident, threat, or activity. Because the Department of Justice represents the Secretary of the Treasury in Federal district court, the Secretary is permitted to disclose returns and return information to the Department of Justice as necessary and solely for the purpose of obtaining the special IRS ex parte court order.

*Disclosure of return information other than taxpayer return information*

Disclosure by the IRS without a request.—The bill permits the IRS to disclose return information, other than taxpayer return information, related to a terrorist incident, threat, or activity to the extent necessary to apprise the head of the appropriate Federal law enforcement agency responsible for investigating or responding to such terrorist incident, threat or activity. As under present law Code section 6103(i)(3)(A), the IRS on its own initiative and without a written request may make this disclosure. The head of the Federal law enforcement agency may disclose information to officers and employees of such agency to the extent necessary to investigate or respond to such terrorist incident, threat, or activity. A taxpayer's identity is not treated as return information supplied by the taxpayer or his or her representative.

Disclosure upon written request of a Federal law enforcement agency.—The bill permits the IRS to disclose return information, other than taxpayer return information, to officers, and employees of Federal law enforcement upon a written request satisfying certain requirements. The request must: (1) be made by the head of the Federal law enforcement agency (or his delegate) involved in the response to or investigation of terrorist incidents, threats, or activities, and (2) set forth the specific reason or reasons why such disclosure may be relevant to a terrorist incident, threat, or activity. The information is to be disclosed to officers and employees of the Federal law enforcement agency who would be personally and directly involved in the response to or investigation of terrorist incidents, threats, or activities. The information is to be used by such officers and employees solely for such response or investigation.

The bill permits the redisclosure by a Federal law enforcement agency to officers and employees of State and local law enforcement personally and directly engaged in the response to or investigation of the terrorist incident, threat, or activity. The State or local law enforcement agency must be part of an investigative or response team with the Federal law enforcement agency for these disclosures to be made.

Disclosure upon request from the Departments of Justice or Treasury for intelligence analysis of terrorist activity.—Upon written request satisfying certain requirements discussed below, the IRS is to disclose return information (other than taxpayer return information) to officers and employees of the Department of Justice, Department of Treasury, and other Federal intelligence agencies, who are personally and directly engaged in the collection or analysis of intelligence and counterintelligence or investigation concerning terrorist incidents, threats, or activities. Use of the information is limited to use by such officers and employees in such investigation, collection, or analysis.

The written request is to set forth the specific reasons why the information to be disclosed is relevant to a terrorist incident, threat, or activity. The request is to be made by an individual who is (1) an officer or employee of the Department of Justice or the

Department of Treasury, (2) appointed by the President with the advice and consent of the Senate, and (3) responsible for the collection, and analysis of intelligence and counter-intelligence information concerning terrorist incidents, threats, or activities. The Director of the United States Secret Service also is an authorized requester under the bill.

**Tax convention information.** The bill permits the disclosure of tax convention information on the same terms as return information may be disclosed under the bill, except that in the case of tax convention information provided by a foreign government, no disclosure may be made under this paragraph without the written consent of the foreign government.

**Definitions.** The term "terrorist incident threat, or activity" is statutorily defined to mean an incident, threat, or activity involving an act of domestic terrorism or international terrorism, as both of those terms were defined in the recently enacted USA PATRIOT Act.

#### *Effective Date*

The provision is effective for disclosures made on or after the date of enactment.

#### **E. NO IMPACT ON SOCIAL SECURITY TRUST FUNDS (SEC. 501 OF THE BILL)**

##### *Present Law*

Present law provides for the transfer of Social Security taxes and certain self-employment taxes to the Social Security trust fund. In addition, the income tax collected with respect to a portion of Social Security benefits included in gross income is transferred to the Social Security trust fund.

##### *Explanation Provision*

The bill provides that the Secretary is to annually estimate the impact of the bill on the income and balances of the Social Security trust fund. If the Secretary determines that the bill has a negative impact on the income and balances of the fund, then the Secretary is to transfer from the general revenues of the Federal government an amount sufficient so as to ensure that the income and balances of the Social Security trust funds are not reduced as a result of the bill. Such transfers are to be made not less frequently than quarterly.

The bill provides that the provisions of the bill are not to be construed as an amendment of title II of the Social Security Act.

#### *Effective Date*

The provision is effective on the date of enactment.

Mr. Speaker, I yield 2 minutes to the gentleman from New Jersey (Mr. FRELINGHUYSEN).

(Mr. FRELINGHUYSEN asked and was given permission to revise and extend his remarks.)

Mr. FRELINGHUYSEN. Mr. Speaker, I rise in support of the bill.

Mr. Speaker, I met with many of the families of the victims of September 11. I have attended funeral masses and funerals, and I have met personally, as other Members have from our area, with some of the widows of the victims of these attacks when they visited Capitol Hill on December 5. They need our help and they need it now. Many are from home towns in my district and throughout the State of New Jersey and New York and Connecticut and Virginia and Pennsylvania.

As one of the widows recently recounted to me, the charities have helped with the immediate aftermath,

but this tax relief bill will help some of their present concerns, and the victims' compensation fund will help them as they move forward into the future.

While we can never replace their loss, we can help alleviate some of the pain for these victims as they think about their immediate and future financial needs, and about how they will provide for their families in the coming years. We do so with this bill.

In this bill, we waive income tax liability for 2 years for the victims. We provide relief from the State tax, and make sure that charitable relief and other forms of financial assistance remain tax-free.

On behalf of the victims from New Jersey and the other States, Mr. Speaker, I want to thank the Speaker, the gentleman from Illinois (Mr. HASTERT), the majority leader, and particular, the chairman of the Committee on Ways and Means, for bringing up this bill expeditiously.

Our hearts go out to these families, and I want to thank my congressional colleagues for moving on this bill.

Mr. THOMAS. Mr. Speaker, it is my pleasure to yield 1 minute to the gentleman from New York (Mr. REYNOLDS), a member of the New York delegation.

Mr. REYNOLDS. Mr. Speaker, I thank the gentleman for yielding time to me, and I want to thank him for his leadership in moving this legislation before we end this week's work, with the hope of continuing and getting a resolve before we end the session.

I thank him for his leadership, along with that of our ranking member, the gentleman from New York (Mr. RANGEL), and particularly the gentleman from New York (Mr. FOSSELLA), who has worked diligently, as well as the New York City representative helping our conference understand clearly some of the agenda needed.

Then also we must turn to the gentleman from New York (Mr. HOUGHTON), who has the very, very important ingredient of his expertise so he was able to work with the gentleman from California (Mr. THOMAS) in helping him in this legislation. That comes from listening to our Governor and mayor on the agendas of what it is going to take to rebuild tens of millions of lost square footage of space in those 15 blocks of lower Manhattan, let alone the countless loss of jobs that have occurred in that tragedy.

Mr. Speaker, this is part of a working, fundamental solution to bring that to fruition. I salute all for bringing it to the floor today.

Mr. THOMAS. Mr. Speaker, it is my pleasure to yield 2 minutes to the gentleman from New Jersey (Mr. FERGUSON).

(Mr. FERGUSON asked and was given permission to revise and extend his remarks.)

Mr. FERGUSON. Mr. Speaker, I thank the gentleman for yielding time to me.

Mr. Speaker, I want to thank the chairman of the Committee on Ways and Means, the ranking member, and members on both sides of the aisle for working on this important legislation.

On September 11, our Nation and the world was struck with tragedy. But for 81 families in the district that I represent in New Jersey, it also meant the loss of a loved one in their own family. They have been struggling for 3 months to put their lives back together. People, Americans across the Nation and people around the world have stepped up to help them in many different ways: People have donated their time, their energy, their blood, their money. They have been assisted in many ways.

But as we know, as time goes on, the attention begins to wane and the realities of life, of mortgage payments, of credit card payments, of tuition bills and other commitments, long-term real-life commitments, begin to build up. We have to make sure that we do not forget those who have experienced this tragedy firsthand.

As my colleague, the gentleman from New Jersey (Mr. FRELINGHUYSEN) mentioned a moment ago, we have had an opportunity to meet with scores of, unfortunately, mostly widows from our districts, from New Jersey and from around our region, who are now dealing with the aftermath. They are not only dealing with the emotional and the physical excruciating pain of the loss of a loved one, but they are also struggling to rebuild their lives, to help their kids to think about the future and not simply to think about these tragedies of the recent past.

We need to do our part in this Congress, and that is why I am delighted and proud that we worked so hard and so quickly 2 days after this tragedy to pass this important legislation out of this Chamber and to send it to the other body, and am pleased now that the other body has done their work and that we have brought this back.

I am pleased that now, today, we will be able to say to these families that we have not failed them, we continue to stand by them, and we will be here with them today and tomorrow and next month and next year to help them. Whether it is tax relief or education relief or simply being a friend and neighbor, we are there to support them and support their work in rebuilding their lives. I thank this Congress for working.

Mr. RANGEL. Mr. Speaker, I yield 3 minutes to the gentleman from New York (Mr. NADLER), in whose district the Twin Towers once stood high.

Mr. NADLER. Mr. Speaker, I thank the gentleman for yielding time to me.

Mr. Speaker, lower Manhattan, as we all know, is devastated by the attacks on the World Trade Center. Over 20 million square feet of office was destroyed and another 15 million rendered unusable, and 125,000 jobs out of the 300,000 private sector jobs in lower Manhattan were destroyed. It will take a strong private-public partnership to



revive lower Manhattan economically. A package of tax incentives, intelligently arranged, would stimulate private investment in the area.

The Houghton bill and the proposals by Senator SCHUMER and CLINTON, with the gentleman from New York (Mr. RANGEL), should be seen in tandem.

The Houghton bill is important and constructive for the long-term economic strength of New York, but does little, if anything, for our immediate critical needs. The Schumer-Clinton-Rangel package contains measures that are vital for the immediate survival of small businesses in lower Manhattan.

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The Houghton package represents an important element of the package. We need to nurse lower Manhattan back to health, but before businesses will return to lower Manhattan, we must rebuild the neighborhood's infrastructure in utilities and transportation. We must rebuild power lines, phone systems, sewers and water mains. We have to restore public transportation. This will take time. Utility facilities are so badly damaged that now cables guarded by police over land are the only facilities bringing power to downtown. We are literally one snowplow away from a blackout in lower Manhattan.

Small businesses are in critical shape and need an immediate boost. The Houghton boost will not help the small businesses survive the transitional period until the neighborhood is rebuilt and their sales recover. We must ease the period of transition until larger businesses return to the area.

Small businesses in lower Manhattan will lose an estimated \$5 billion in sales in the last quarter of 2001 alone. Many have seen their sales decline by up to 80 percent because of disruption and damage to the area. Mr. Speaker, 10,000 of the 14,000 small businesses in lower Manhattan are at risk of failure within the next several months as a direct result of the attack. If we do not give them help to enable them to survive, the longer-term proposals in the Houghton bill will come too late to revive lower Manhattan, because if 10,000 small businesses fail in lower Manhattan, the larger businesses will not want to return and residents will not want to return.

The elements of the Houghton bill are excellent and important for our long-term needs, but must be supplemented by the provisions for short-term aid, especially long-term grants, especially business grants to our small businesses and the other elements of the Rangel-Clinton-Schumer package. That package could provide immediate assistance for these businesses through expansion of the work opportunity tax credit. The work opportunity tax credit expansion and the cash grants are the two things we need immediately.

So I urge the House to adopt the Houghton bill, but to be under no illusion that the Houghton bill, absent the

work opportunity tax credit of the Rangel bill and absent large and immediate infusion of cash grants to small businesses, will save the situation.

Mr. THOMAS. Mr. Speaker, it is my pleasure to yield 2 minutes to the gentleman from New York (Mr. GILMAN).

(Mr. GILMAN asked and was given permission to revise and extend his remarks.)

Mr. GILMAN. Mr. Speaker, I rise in strong support of H.R. 3373, the New York Liberty Zone Tax Relief Act of 2000. I urge my colleagues to join in supporting this vitally needed legislation which provides a number of tax provisions that are designed to help the city and State of New York to recover economically from the devastating barbaric attack of September 11, and I commend my colleagues, the gentleman from California (Mr. THOMAS), the gentleman from New York (Mr. RANGEL) and the gentleman from New York (Mr. HOUGHTON) for their diligent work on this measure.

New York City, and particularly lower Manhattan, was devastated by the terrorist attacks of September 11. Over 25 million square feet of office space has been destroyed, 15,000 jobs have been displaced in lower Manhattan, representing 2 percent of all the private sector jobs in New York City. Not only do we need to rebuild the economy in lower Manhattan, we also need to rebuild its infrastructure, power lines, water mains, public transportation and sewer lines.

Small businesses in lower Manhattan are fighting for their very survival.

This bill includes five key provisions which create some liberty zones, encouraging investment and includes issuing tax exempt liberty bonds to finance liberty zone commercial, residential rental and public utility property.

It also includes allowance of a first year 30 percent depreciation and a 5-year recovery period for leasehold improvements and a small business first year depreciation of \$35,000.

This victim tax relief bill also increases the replacement period for re-investing insurance proceeds.

Mr. Speaker, I am pleased to stand with my New York colleagues in supporting this legislation which will help rebuild a key portion of the economy of New York City and help our State. Accordingly, I urge my colleagues to join in passing this very urgently needed bill.

Mr. THOMAS. Mr. Speaker, it is my pleasure to yield 2 minutes to the gentleman from New Jersey (Mr. SMITH).

Mr. SMITH of New Jersey. Mr. Speaker, I thank the gentleman from California (Mr. THOMAS) for yielding me the time. I thank him also for staying, true to his word. He said he would have this bill on the floor in three days. Actually, he had the bill on the floor just a few days after the horrific event of 9/11. We want to thank him, all of us from New Jersey, for bringing this very important legislation back to the floor with the Senate changes.

Passage of this bill, Mr. Speaker, will provide immediate and substantial tax rebates to the spouses and children of nearly 3,500 victims who met tragic deaths in the horrific attacks on September 11.

Seven hundred New Jersey residents, more than 50 from my own District, never came home on September 11. They were the first victims and the first heroes of America's war on terrorism.

There are additional heroes, Mr. Speaker, namely, the wives, the widows of those who were murdered on September 11. Over the last several weeks, both my wife, Marie, and I and members of my staff have met many of the widows, and we have been moved greatly by their loss as well as by their courage. Last week, my wife and I, as well as other members of the New Jersey delegation, joined with several of those widows from our State in a meeting with Speaker HASTERT, and he, too, was moved by what they had to say.

These brave women courageously reminded Congress of the heartbreaking burdens that they have faced since the shock of 9/11. They made it very clear that this tax relief is a matter of survival to them. Much of the money has run out that they had saved personally. For many of them, the assistance they got from charitable contributions ran out on December 1. The Victims Compensation Fund has not kicked in yet. There had to be something to provide very real money a bridge for these individuals.

The Victims Tax Relief Bill will help to do that.

Among the more moving remarks, and there were many that we have heard over the last several months, were the comments of Sheila Martello, who lost her husband Jim in the World Trade Center. Last week Mrs. Martello said "we do not want to be here in Washington fighting for this benefit. We would rather be doing what we do best, raising our children."

Again, I want to thank the chairman for his leadership on this. I thank the Speaker for his personal commitment. Both Mr. THOMAS and Speaker HASTERT moved very quickly right after this tragedy, along with the gentleman from New York (Mr. RANGEL). This is a good, bipartisan bill and will help these people through this very, very difficult time. It could not come at a more important time for them.

Mr. THOMAS. Mr. Speaker, it is my pleasure to yield 2 minutes to the gentleman from New York (Mr. GRUCCI), actually Long Island.

(Mr. GRUCCI asked and was given permission to revise and extend his remarks.)

Mr. GRUCCI. Mr. Speaker, I would like to thank the distinguished gentleman from California (Mr. THOMAS), chairman of the Committee on Ways and Means, and the gentleman from New York (Mr. RANGEL), the ranking member, for their commitment and their work on this program to help restore economic viability to New York

and to our country as a whole. I think this bill, the Houghton bill, is an excellent tool to accomplish that.

When we look back at the tragedy that has happened, nothing can ever replace the loss of life and the ache in the people's hearts that are experiencing that loss of life. In my district alone, I went to a number of various funerals and memorial services for where there was no funeral able to be given.

And you can see, the pain in the hearts and in the face of people, the children, the surviving spouses, the friends, the neighbors, and they will always have that pain.

There is a secondary pain that is out there, Mr. Speaker. There is a pain that is being experienced by many who worked all of their life to try to build a business, to try to create something for their family, for their children, to allow them to have something for future generations, and that was wiped out on September 11, gone completely. Devastation has set in and the only way to help them restore that kind of dream once again, the dream to be a small business entrepreneur in this country, which is something that people come here for.

I know my family, my family had migrated to this country for that very purpose, to raise their children, to raise a business and to have something. Well, this bill will put \$6.1 billion into our economy and it will enable people to do that. It will give them their hopes and their dreams back and it will enable them to build the more than 25 million square feet of space that was lost, spaces like delicatessens and boutiques and haberdasheries, and, yes, the major conglomerates and businesses of our country where hundreds of thousands people were employed.

This bill is a good bill. It is a bipartisan bill, and I urge my colleagues in this House to support it and to help America get back on their feet and help New York get back on its feet.

Mr. THOMAS. Mr. Speaker, I yield 2 minutes to the gentleman from New York (Mr. SWEENEY) who, without his involvement and active participation in structuring work with the governmental officials in New York, we would not have been able to move with the haste with which we did.

(Mr. SWEENEY asked and was given permission to revise and extend his remarks.)

Mr. SWEENEY. Mr. Speaker, I am proud and happy to be here on the floor today.

On September 11 all of America suffered losses. Some of us suffered more direct losses. And certainly in the last 3 months it has been an extreme struggle trying to figure out the right process, the right way to help make New Yorkers and the victims of those attacks whole again.

I want to salute the ranking member, the gentleman from New York (Mr. RANGEL) for working hard in a bipartisan fashion on this. I want to especially salute the gentleman from New

York (Mr. HOUGHTON) from the Committee on Ways and Means, a fellow New Yorker and a colleague who has dedicated every ounce of energy he has had to this effort and to this particular bill.

I especially want to recognize the chairman of the Committee on Ways and Means who made commitments repeatedly the day after the attacks and repeatedly throughout this that he was going to work with us in New York to get this done. He has worked diligently. He has done it at breakneck speed getting the bill to the floor in 3 days. I am extremely gratified.

The fact is, Mr. Speaker, the change in New York will be incremental. The rebuilding efforts will be incremental. This is an important step in the right direction. This is one of the reasons that I have been so outspoken from this side of the aisle for the need for us to pay attention and keep focused and the gentleman from California (Chairman THOMAS) kept focus and kept us focused in bringing this bill, and I am deeply grateful for that.

I would urge our friends and colleagues in the other body to move their bill. They have had it for 3 months. It is time that we move on each of these pieces as expeditiously as we can so we can ensure New Yorkers suffer no greater damage than they already have. Indeed, the rebuilding efforts are going to take time but the commitment and the moral obligation on the part of this body and this Congress is going to be longstanding and must be abided by.

I support this bill. I will urge my colleagues to support it, and once again I thank the chairman for his support.

The SPEAKER pro tempore (Mr. THORBERRY). The gentleman from California (Mr. THOMAS) has 1 minute remaining. The gentleman from New York (Mr. RANGEL) has 16 minutes remaining.

Mr. RANGEL. Mr. Speaker, I want to join with my colleagues from New York in supporting the concept of this bill and especially the gentleman from New York (Mr. HOUGHTON) who has been really a great pleasure working with over the years and especially as relates to restoring life, both economic life to our great city and our great State.

We do not know whether this is going to come back from the other side, but we do know that there is other legislation that has not passed over there, and working closely with the gentleman from California (Mr. THOMAS), I do hope that we can bring the best ideas that have come out of both Houses and do the best that we can this year by the city of New York.

I would like to say on behalf of delegation once again how grateful we are for the groundswell of support that we have received from this House of Representatives. If ever we thought that we were not a part of the Nation, all over the country and the world stood with us and we are deeply appreciative.

We have a long way to go. We have had some legislative setbacks. But I am confident that as the President moves forward to remove this type of risk from other congressional districts, other parts of the country, that we would realize more that the Americans who lost their lives on September 11 are the same type of courageous Americans that lost their lives at Pearl Harbor or at any beachhead that we have had in the United States.

We can never restore the lives to these great people or the heroes that went there to save lives at the risk of their own. But we can let friend and foe alike know that when you strike one part of our great country, you have struck all parts of it. And regardless of our backgrounds or party labels, we do come together as a Nation. And in that spirit, I hope we move forward with this legislation and join with our colleagues on the other side to see what more we can do to repair the harm that has been done.

Mr. Speaker, I yield back the balance of my time.

The SPEAKER pro tempore. The gentleman from California (Mr. THOMAS) has 1 minute remaining.

Mr. THOMAS. Mr. Speaker, Mr. Speaker, I yield myself my remaining time.

Mr. Speaker, I do want to thank my colleague from New York for the kind courtesies and generosity that he has displayed and, most importantly, the House's willingness to move as quickly as we did and recognize that these individuals were, in fact, victims in war and deserve to be focussed on, not just in terms of the symbolism because, clearly, although there were tragedies elsewhere in the United States on that same day, it is not unfair to say that New York City took it on the chin for the rest of the country. And that I, too, have been pleased with the outpouring of response.

We now know that those who died did not die in vain in terms of the symbolism, the rallying of the moral fiber of this country. But at the same time, we have to address the very real physical and material needs of these people who, after all, lost loved ones and had lives devastated.

In that regard, I am very pleased to say that this is not the end of our continued focus on the need of these individuals in New York City and elsewhere.

Mrs. MCCARTHY of New York. Mr. Speaker, I rise in support of H.R. 2884, the Victims of Terrorism Relief Act, which I am a proud cosponsor.

This legislation provides much needed tax relief to the victims of the September 11th terrorist attacks. The terrorist attacks on the World Trade Center, the Pentagon, and Pennsylvania directly affected 25,000 families, and left 15,000 children without a parent. Figures show that 35% of those who died were between the ages of 35 and 45, and 85% were 25–55 years old. Not only did these families lose an important part of their lives, but they lost a source of financial support they need and deserve.

I am overcome by the outpouring of support during this difficult time. However, spouses who lost a loved one in the attack are still enduring financial hardships. Even though many charitable organizations have provided some form of relief, the Federal government must do more. Easing their federal tax liability is a step in the right direction.

In addition, this legislation addresses some of the recovery concerns within the New York City area damaged by the terrorist attacks. The creation of the New York Liberty Zone provides numerous tax benefits for qualified property. In order to rebuild, we must also help those businesses that were impacted by the senseless acts of terrorism.

September 11th will forever be synonymous with other historical events that Americans have endured. It will serve as yet another reminder of how Americans come together during difficult times, as well as send a simple message to those who hide behind terrorism—America Will Never Fear You and We Will Always Take Care Of Our Own.

Mr. THOMAS. Mr. Speaker, I yield back the balance of my time.

The SPEAKER pro tempore. All time for debate has expired.

Pursuant the order of the House of today, the motion is agreed to.

A motion to reconsider was laid on the table.

□ 1545

#### GENERAL LEAVE

Mr. THOMAS. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks and include extraneous material on the subject of H.R. 2884, the bill just passed.

The SPEAKER pro tempore (Mr. THORNBERRY). Is there objection to the request of the gentleman from California?

There was no objection.

#### SPECIAL ORDERS

The SPEAKER pro tempore. Under the Speaker's announced policy of January 3, 2001, and under a previous order of the House, the following Members will be recognized for 5 minutes each.

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Oregon (Mr. DEFAZIO) is recognized for 5 minutes.

Mr. (DEFAZIO) addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

#### TRIBUTE TO SCOTT BROSIUS

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Oregon (Mr. WU) is recognized for 5 minutes.

Mr. WU. Mr. Speaker, I rise today to pay tribute to Scott Brosius, the starting third baseman for the New York Yankees and a resident of McMinnville, Oregon. Scott announced his retirement from major league baseball on November 27.

Born and raised in Oregon, Scott played baseball at Rex Putnam High School in Milwaukee and then at Linfield College in McMinnville. In 1987, during his junior year in college, he was drafted by the Oakland Athletics.

During his 11 seasons of major league baseball, first with the A's and later with the New York Yankees, Scott was known as a solid hitter and outstanding defensive third baseman, for which he won the Gold Glove award in 1999.

His best season came in 1998. That year, he batted 300, with 98 RBIs and was named to the American League All Star team. But his career highlight came later that year. During the World Series, in a 4-game sweep of the San Diego Padres, Scott batted 471, hit two home runs, and had six RBIs. He was the clear choice for the World Series' Most Valuable Player. He accomplished all of these post-season feats while his father was undergoing cancer surgery and chemotherapy.

Scott's flare for the dramatic resurfaced during this year's seven-game World Series between the Yankees and the Arizona Diamondbacks, which many have called the most exciting World Series ever. In game five, with the Yankees trailing 2 to 0 in the ninth inning, Scott came to the plate with two outs and a runner on second base. Scott crushed a 1-0 slider from Arizona closer Byung-Hyun Kim to tie the score and send the game into extra innings. Ultimately, the Yankees went on to win the game 3 to 2 in 12 innings.

As an All Star, a Gold Glove winner, a World Series MVP, and a member of three world championship teams, Scott has a lifetime's worth of baseball memoirs. But, Mr. Speaker, I rise today not only to recognize Scott Brosius for his outstanding baseball career but also because I believe he embodies the best of Oregon, and American values.

This year, Scott finished his contract with the New York Yankees and became eligible for free agency. At 35 years of age, and as an 11-year major league veteran, he could easily fetch millions of dollars as a free agent. But Scott turned down the money and the limelight so that he could return to McMinnville to raise his three young children. He has reenrolled at Linfield College to finish his college degree and has offered to help coach the Linfield varsity baseball team.

The example set by people like Scott Brosius reminds us of what is most important in life: values, family, and community.

I wish Scott and his family well, and I thank him for being such a positive role model. Scott, you have the admiration of us all, and personally I envy you for all the time that you will have in Oregon with your family.

#### TRIBUTE TO VICTIMS OF SEPTEMBER 11, 2001

The SPEAKER pro tempore. Under a previous order of the House, the gen-

tleman from Illinois (Mr. SHIMKUS) is recognized for 5 minutes.

Mr. SHIMKUS. Mr. Speaker, I want to continue reading from the list of names that my colleague, the gentleman from Virginia (Mrs. JO ANN DAVIS), has been reading into the RECORD, those who fell in the September 11 tragedy:

John P. O'Neill; Peter J. O'Neill; Sean Gordon Corbet O'Neill; Ken O'Reilly; Kevin M. O'Rourke; Robert W. O'Shea; Patrick J. O'Shea; Timothy F. O'Sullivan; James A. Oakley; Dennis Oberg; Jefferson Ocampo; Douglas Oelschlager; Takashi Ogawa; Albert Ogletree; Philip Paul Ognibene; John Ogonowski; Joseph J. Ogren; Samuel Oitice; Gerald M. Olcott; Christine Ann Olender; Linda Mary Oliva; Elsy Carolina Osorio Oliva; Edward K. Oliver; Leah Oliver; Eric Olsen; Jeffrey James Olsen; Steven John Olson; Barbara Olson; Marueen "Rene" L. Olson; Toshihiro Onda; Betty Ong; Michael C. Opperman; Christopher Orgielewicz; Margaret Q. Orloske; Virginia "Ginger" Ormiston-Kenworthy; Ruben Ornedo; Juan Romero Orozco; Ronald Orsini; Peter K. Ortale; Jane Orth; Paul Ortiz; Sonia Ortiz; David Ortiz; Emilio "Peter" Ortiz, Jr.; Alexander Ortiz; Pablo Ortiz; Masaru Ose; Elsi Carolina Osorio; James Robert Ostrowski; Jason Douglas Oswald; Michael Otten; Isidro Ottenwalder; Michael Ou; Todd Joseph Ouida; Jesus Ovalles; Peter J. Owens; Adianes Oyola; Angel "Chic" Pabon; Israel Pabon; Roland Pacheco; Michael Benjamin Packer; Diana B. Padro; Chin Sun Pak; Deepa K. Pakkala; Thomas Anthony Palazzo; Jeffrey Palazzo; Richard Palazzolo; Orio Joseph Palmer; Frank Palombo; Lynn Paltrow; Alan Palumbo; Christopher Panatier; Diominique Lisa Pandolfo; Jonas Martin Panik; Paul Pansini; John Paolillo; Edward J. Papa; Salvatore Papasso; James Pappageorge; Marie Pappalardo; Vinod K. Parakat; Vijayashanker Paramsothy; Nitin Ramesh Parandker; Hardai "Casey" Parbhu; James W. Parham; Debra "Debbie" Paris; George Paris; Gye-Hyong Park; Philip L. Parker; Michael A. Parkes; Robert Emmett Parks, Jr.; Hashmukhrai C. Parmar; Robert Parro; Diane Parsons; Leobardo Lopez Pascual; Michael Pascuma; Jerrold Paskins; Horace Robert Passananti; Suzanne Passaro; Victor Antonio Martinez Pastrana; Dipti Patel; Manish K. Patel; Avnish Ramanbhai Patel; Steven B. Paterson; James M. Patrick; Lawrence Patrick; Manuel Patrocino; Clifford L. Patterson; Bernard E. "Bernie" Patterson; Cira Marie Patti; James Robert Paul; Patrice Sobin Paz; Sharon Cristina Millan Paz; Victor Paz-Gutierrez; Stacey Lynn Peak; Richard Pearlman; Durrell Pearsall; Thomas Pecorelli; Thomas E. Pedicini; Todd D. Pelino; Michel Adrian Pelletier; Anthony Peluso; Angel Ramon Pena; Jose D. Pena; Robert Penniger; Richard A. Penny; Salvatore Pepe; Carl Allen Peralta; Robert David Peraza; Marie