In the Senate of the United States,


Resolved, That the Senate agree to the amendment of the House of Representatives to the amendment of the Senate to the bill (H.R. 3997) entitled “An Act to amend the Internal Revenue Code of 1986 to provide earnings assistance and tax relief to members of the uniformed services, volunteer firefighters, and Peace Corps volunteers, and for other purposes.”, with the following

SENATE AMENDMENT TO HOUSE AMENDMENT TO SENATE AMENDMENT:

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

1 SECTION 1. SHORT TITLE, ETC.

2 (a) SHORT TITLE.—This Act may be cited as the “Defenders of Freedom Tax Relief Act of 2007”.

3 (b) REFERENCE.—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—BENEFITS FOR MILITARY**

Sec. 101. Election to include combat pay as earned income for purposes of earned income tax credit.
Sec. 102. Modification of mortgage revenue bonds for veterans.
Sec. 103. Survivor and disability payments with respect to qualified military service.
Sec. 104. Treatment of differential military pay as wages.
Sec. 105. Special period of limitation when uniformed services retired pay is reduced as a result of award of disability compensation.
Sec. 106. Distributions from retirement plans to individuals called to active duty.
Sec. 107. Disclosure of return information relating to veterans programs made permanent.
Sec. 108. Contributions of military death gratuities to Roth IRAs and Education Savings Accounts.
Sec. 109. Suspension of 5-year period during service with the Peace Corps.
Sec. 110. Credit for employer differential wage payments to employees who are active duty members of the uniformed services.
Sec. 111. State payments to service members treated as qualified military benefits.
Sec. 112. Permanent exclusion of gain from sale of a principal residence by certain employees of the intelligence community.
Sec. 113. Special disposition rules for unused benefits in health flexible spending arrangements of individuals called to active duty.
Sec. 114. Option to exclude military basic housing allowance for purposes of determining income eligibility under low-income housing credit and bond-financed residential rental projects.

**TITLE II—REVENUE PROVISIONS**

Sec. 201. Increase in penalty for failure to file partnership returns.
Sec. 202. Increase in penalty for failure to file S corporation returns.
Sec. 203. Increase in minimum penalty on failure to file a return of tax.
Sec. 204. Revision of tax rules on expatriation.
Sec. 205. Special enrollment option by employer health plans for members of uniform services who lose health care coverage.

**TITLE III—TAX TECHNICAL CORRECTIONS**

Sec. 301. Short title.
Sec. 302. Amendment related to the Tax Relief and Health Care Act of 2006.
Sec. 303. Amendments related to title XII of the Pension Protection Act of 2006.
Sec. 305. Amendments related to the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users.
Sec. 310. Amendment related to the Internal Revenue Service Restructuring and Reform Act of 1998.
Sec. 311. Clerical corrections.

TITLE IV—PARITY IN APPLICATION OF CERTAIN LIMITS TO MENTAL HEALTH BENEFITS

Sec. 401. Parity in application of certain limits to mental health benefits.

TITLE I—BENEFITS FOR MILITARY

SEC. 101. ELECTION TO INCLUDE COMBAT PAY AS EARNED INCOME FOR PURPOSES OF EARNED INCOME TAX CREDIT.

(a) IN GENERAL.—Clause (vi) of section 32(c)(2)(B) (defining earned income) is amended to read as follows:

“(vi) a taxpayer may elect to treat amounts excluded from gross income by reason of section 112 as earned income.”.

(b) SUNSET NOT APPLICABLE.—Section 105 of the Working Families Tax Relief Act of 2004 (relating to application of EGTRRA sunset to this title) shall not apply to section 104(b) of such Act.

(c) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years ending after December 31, 2007.
SEC. 102. MODIFICATION OF MORTGAGE REVENUE BONDS FOR VETERANS.

(a) Qualified Mortgage Bonds Used To Finance Residences for Veterans Without Regard to First-Time Homebuyer Requirement.—Subparagraph (D) of section 143(d)(2) (relating to exceptions) is amended by striking “and before January 1, 2008”.

(b) Increase in Bond Limitation for Alaska, Oregon, and Wisconsin.—Clause (ii) of section 143(l)(3)(B) (relating to State veterans limit) is amended by striking “$25,000,000” each place it appears and inserting “$100,000,000”.

(c) Definition of Qualified Veteran.—Paragraph (4) of section 143(l) (defining qualified veteran) is amended to read as follows:

“(4) Qualified veteran.—For purposes of this subsection, the term ‘qualified veteran’ means any veteran who—

“(A) served on active duty, and

“(B) applied for the financing before the date 25 years after the last date on which such veteran left active service.”.

(d) Effective Date.—The amendments made by this section shall apply to bonds issued after December 31, 2007.
SEC. 103. SURVIVOR AND DISABILITY PAYMENTS WITH RESPECT TO QUALIFIED MILITARY SERVICE.

(a) Plan Qualification Requirement for Death Benefits Under USERRA-Qualified Active Military Service.—Subsection (a) of section 401 (relating to requirements for qualification) is amended by inserting after paragraph (36) the following new paragraph:

“(37) Death benefits under USERRA-qualified active military service.—A trust shall not constitute a qualified trust unless the plan provides that, in the case of a participant who dies while performing qualified military service (as defined in section 414(u)), the survivors of the participant are entitled to any additional benefits (other than benefit accruals relating to the period of qualified military service) provided under the plan had the participant resumed and then terminated employment on account of death.”.

(b) Treatment in the Case of Death or Disability Resulting From Active Military Service for Benefit Accrual Purposes.—Subsection (u) of section 414 (relating to special rules relating to veterans’ reemployment rights under USERRA) is amended by redesignating paragraphs (9) and (10) as paragraphs (10) and (11), respectively, and by inserting after paragraph (8) the following new paragraph:
“(9) Treatment in the case of death or disability resulting from active military service.—

“(A) In general.—For benefit accrual purposes, an employer sponsoring a retirement plan may treat an individual who dies or becomes disabled (as defined under the terms of the plan) while performing qualified military service with respect to the employer maintaining the plan as if the individual has resumed employment in accordance with the individual’s reemployment rights under chapter 43 of title 38, United States Code, on the day preceding death or disability (as the case may be) and terminated employment on the actual date of death or disability. In the case of any such treatment, and subject to subparagraphs (B) and (C), any full or partial compliance by such plan with respect to the benefit accrual requirements of paragraph (8) with respect to such individual shall be treated for purposes of paragraph (1) as if such compliance were required under such chapter 43.

“(B) Nondiscrimination requirement.—

Subparagraph (A) shall apply only if all indi-
viduals performing qualified military service
with respect to the employer maintaining the
plan (as determined under subsections (b), (c),
(m), and (o)) who die or became disabled as a
result of performing qualified military service
prior to reemployment by the employer are cred-
ited with service and benefits on reasonably
equivalent terms.

“(C) DETERMINATION OF BENEFITS.—The
amount of employee contributions and the
amount of elective deferrals of an individual
treated as reemployed under subparagraph (A)
for purposes of applying paragraph (8)(C) shall
be determined on the basis of the individual’s av-
erage actual employee contributions or elective
deferrals for the lesser of—

“(i) the 12-month period of service
with the employer immediately prior to
qualified military service, or

“(ii) if service with the employer is less
than such 12-month period, the actual
length of continuous service with the em-
ployer.”.

(c) CONFORMING AMENDMENTS.—
(1) Section 404(a)(2) is amended by striking “and (31)” and inserting “(31), and (37)”.

(2) Section 403(b) is amended by adding at the end the following new paragraph:

“(14) Death benefits under userrA-Qualifyed Active Military Service.—This subsection shall not apply to an annuity contract unless such contract meets the requirements of section 401(a)(37).”.

(3) Section 457(g) is amended by adding at the end the following new paragraph:

“(4) Death benefits under userrA-Qualifyed Active Military Service.—A plan described in paragraph (1) shall not be treated as an eligible deferred compensation plan unless such plan meets the requirements of section 401(a)(37).”.

(d) Effective Date.—

(1) In general.—The amendments made by this section shall apply with respect to deaths and disabilities occurring on or after January 1, 2007.

(2) Provisions relating to plan amendments.—

(A) In general.—If this subparagraph applies to any plan or contract amendment, such plan or contract shall be treated as being oper-
ated in accordance with the terms of the plan
during the period described in subparagraph
(B)(iii).

(B) AMENDMENTS TO WHICH SUBPARA-
GRAPH (A) APPLIES.—

(i) IN GENERAL.—Subparagraph (A)
shall apply to any amendment to any plan
or annuity contract which is made—

(I) pursuant to the amendments
made by subsection (a) or pursuant to
any regulation issued by the Secretary
of the Treasury under subsection (a),
and

(II) on or before the last day of
the first plan year beginning on or
after January 1, 2009.

In the case of a governmental plan (as de-
defined in section 414(d) of the Internal Rev-

venue Code of 1986), this clause shall be ap-
plied by substituting “2011” for “2009” in

subclause (II).

(ii) CONDITIONS.—This paragraph
shall not apply to any amendment unless—

(I) the plan or contract is oper-
ated as if such plan or contract
amendment were in effect for the period described in clause (iii), and

(II) such plan or contract amendment applies retroactively for such period.

(iii) Period described.—The period described in this clause is the period—

(I) beginning on the effective date specified by the plan, and

(II) ending on the date described in clause (i)(II) (or, if earlier, the date the plan or contract amendment is adopted).

SEC. 104. TREATMENT OF DIFFERENTIAL MILITARY PAY AS WAGES.

(a) Income tax withholding on differential wage payments.—

(1) In general.—Section 3401 (relating to definitions) is amended by adding at the end the following new subsection:

“(h) Differential wage payments to active duty members of the uniformed services.—

“(1) In general.—For purposes of subsection (a), any differential wage payment shall be treated as a payment of wages by the employer to the employee.
“(2) Differential wage payment.—For purposes of paragraph (1), the term ‘differential wage payment’ means any payment which—

“(A) is made by an employer to an individual with respect to any period during which the individual is performing service in the uniformed services (as defined in chapter 43 of title 38, United States Code) while on active duty for a period of more than 30 days, and

“(B) represents all or a portion of the wages the individual would have received from the employer if the individual were performing service for the employer.”.

(2) Effective date.—The amendment made by this subsection shall apply to remuneration paid after December 31, 2007.

(b) Treatment of differential wage payments for retirement plan purposes.—

(1) Pension plans.—

(A) In general.—Section 414(u) (relating to special rules relating to veterans’ reemployment rights under USERRA), as amended by section 103(b), is amended by adding at the end the following new paragraph:
“(12) Treatment of differential wage payments.—

“(A) In general.—Except as provided in this paragraph, for purposes of applying this title to a retirement plan to which this subsection applies—

“(i) an individual receiving a differential wage payment shall be treated as an employee of the employer making the payment,

“(ii) the differential wage payment shall be treated as compensation, and

“(iii) the plan shall not be treated as failing to meet the requirements of any provision described in paragraph (1)(C) by reason of any contribution or benefit which is based on the differential wage payment.

“(B) Special rule for distributions.—

“(i) In general.—Notwithstanding subparagraph (A)(i), for purposes of section 401(k)(2)(B)(i)(I), 403(b)(7)(A)(ii), 403(b)(11)(A), or 457(d)(1)(A)(ii), an individual shall be treated as having been severed from employment during any period the individual is performing service in the
uniformed services described in section 3401(h)(2)(A).

“(ii) LIMITATION.—If an individual elects to receive a distribution by reason of clause (i), the plan shall provide that the individual may not make an elective deferral or employee contribution during the 6-month period beginning on the date of the distribution.

“(C) NONDISCRIMINATION REQUIREMENT.—Subparagraph (A)(iii) shall apply only if all employees of an employer (as determined under subsections (b), (c), (m), and (o)) performing service in the uniformed services described in section 3401(h)(2)(A) are entitled to receive differential wage payments on reasonably equivalent terms and, if eligible to participate in a retirement plan maintained by the employer, to make contributions based on the payments on reasonably equivalent terms. For purposes of applying this subparagraph, the provisions of paragraphs (3), (4), and (5) of section 410(b) shall apply.

“(D) DIFFERENTIAL WAGE PAYMENT.—For purposes of this paragraph, the term ‘differential
wage payment’ has the meaning given such term by section 3401(h)(2).”.

(B) CONFORMING AMENDMENT.—The heading for section 414(u) is amended by inserting “AND TO DIFFERENTIAL WAGE PAYMENTS TO MEMBERS ON ACTIVE DUTY” after “USERRA”.

(2) DIFFERENTIAL WAGE PAYMENTS TREATED AS COMPENSATION FOR INDIVIDUAL RETIREMENT PLANS.—Section 219(f)(1) (defining compensation) is amended by adding at the end the following new sentence: “The term compensation includes any differential wage payment (as defined in section 3401(h)(2)).”.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to years beginning after December 31, 2007.

(c) PROVISIONS RELATING TO PLAN AMENDMENTS.—

(1) IN GENERAL.—If this subsection applies to any plan or annuity contract amendment, such plan or contract shall be treated as being operated in accordance with the terms of the plan or contract during the period described in paragraph (2)(B)(i).

(2) AMENDMENTS TO WHICH SECTION APPLIES,—
(A) **In General.**—This subsection shall apply to any amendment to any plan or annuity contract which is made—

(i) pursuant to any amendment made by subsection (b)(1), and

(ii) on or before the last day of the first plan year beginning on or after January 1, 2009.

In the case of a governmental plan (as defined in section 414(d) of the Internal Revenue Code of 1986), this subparagraph shall be applied by substituting “2011” for “2009” in clause (ii).

(B) **Conditions.**—This subsection shall not apply to any plan or annuity contract amendment unless—

(i) during the period beginning on the date the amendment described in subparagraph (A)(i) takes effect and ending on the date described in subparagraph (A)(ii) (or, if earlier, the date the plan or contract amendment is adopted), the plan or contract is operated as if such plan or contract amendment were in effect, and

(ii) such plan or contract amendment applies retroactively for such period.
SEC. 105. SPECIAL PERIOD OF LIMITATION WHEN UNIFORMED SERVICES RETIRED PAY IS REDUCED AS A RESULT OF AWARD OF DISABILITY COMPENSATION.

(a) In General.—Subsection (d) of section 6511 (relating to special rules applicable to income taxes) is amended by adding at the end the following new paragraph:

“(8) SPECIAL RULES WHEN UNIFORMED SERVICES RETIRED PAY IS REDUCED AS A RESULT OF AWARD OF DISABILITY COMPENSATION.—

“(A) Period of limitation on filing claim.—If the claim for credit or refund relates to an overpayment of tax imposed by subtitle A on account of—

“(i) the reduction of uniformed services retired pay computed under section 1406 or 1407 of title 10, United States Code, or

“(ii) the waiver of such pay under section 5305 of title 38 of such Code, as a result of an award of compensation under title 38 of such Code pursuant to a determination by the Secretary of Veterans Affairs, the 3-year period of limitation prescribed in subsection (a) shall be extended, for purposes of permitting a credit or refund based upon the amount of such reduction or waiver, until the end of the 1-year
period beginning on the date of such determination.

“(B) LIMITATION TO 5 TAXABLE YEARS.—

Subparagraph (A) shall not apply with respect to any taxable year which began more than 5 years before the date of such determination.”.

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

(c) TRANSITION RULES.—In the case of a determination described in paragraph (8) of section 6511(d) of the Internal Revenue Code of 1986 (as added by this section) which is made by the Secretary of Veterans Affairs after December 31, 2000, and before the date of the enactment of this Act, such paragraph—

(1) shall not apply with respect to any taxable year which began before January 1, 2001, and

(2) shall be applied by substituting “the date of the enactment of the Defenders of Freedom Tax Relief Act of 2007” for “the date of such determination” in subparagraph (A) thereof.

SEC. 106. DISTRIBUTIONS FROM RETIREMENT PLANS TO INDIVIDUALS CALLED TO ACTIVE DUTY.

(a) IN GENERAL.—Clause (iv) of section 72(t)(2)(G) is amended by striking “, and before December 31, 2007”.
(b) Effective Date.—The amendment made by this section shall apply to individuals ordered or called to active duty on or after December 31, 2007.

SEC. 107. DISCLOSURE OF RETURN INFORMATION RELATING TO VETERANS PROGRAMS MADE PERMANENT.

(a) In General.—Subparagraph (D) of section 6103(l)(7) (relating to disclosure of return information to Federal, State, and local agencies administering certain programs under the Social Security Act, the Food Stamp Act of 1977, or title 38, United States Code or certain housing assistance programs) is amended by striking the last sentence.

(b) Technical Amendment.—Section 6103(l)(7)(D)(viii)(III) is amended by striking “sections 1710(a)(1)(I), 1710(a)(2), 1710(b), and 1712(a)(2)(B)” and inserting “sections 1710(a)(2)(G), 1710(a)(3), and 1710(b)”.

SEC. 108. CONTRIBUTIONS OF MILITARY DEATH GRATUITIES TO ROTH IRAS AND EDUCATION SAVINGS ACCOUNTS.

(a) Provision in Effect Before Pension Protection Act.—Subsection (e) of section 408A (relating to qualified rollover contribution), as in effect before the
amendments made by section 824 of the Pension Protection Act of 2006, is amended to read as follows:

“(e) QUALIFIED ROLLOVER CONTRIBUTION.—For purposes of this section—

“(1) IN GENERAL.—The term ‘qualified rollover contribution’ means a rollover contribution to a Roth IRA from another such account, or from an individual retirement plan, but only if such rollover contribution meets the requirements of section 408(d)(3). Such term includes a rollover contribution described in section 402A(c)(3)(A). For purposes of section 408(d)(3)(B), there shall be disregarded any qualified rollover contribution from an individual retirement plan (other than a Roth IRA) to a Roth IRA.

“(2) MILITARY DEATH GRATUITY.—

“(A) IN GENERAL.—The term ‘qualified rollover contribution’ includes a contribution to a Roth IRA maintained for the benefit of an individual made before the end of the 1-year period beginning on the date on which such individual receives an amount under section 1477 of title 10, United States Code, or section 1967 of title 38 of such Code, with respect to a person, to the extent that such contribution does not exceed—
“(i) the sum of the amounts received during such period by such individual under such sections with respect to such person, reduced by

“(ii) the amounts so received which were contributed to a Coverdell education savings account under section 530(d)(9).

“(B) Annual limit on number of rollovers not to apply.—Section 408(d)(3)(B) shall not apply with respect to amounts treated as a rollover by subparagraph (A).

“(C) Application of section 72.—For purposes of applying section 72 in the case of a distribution which is not a qualified distribution, the amount treated as a rollover by reason of subparagraph (A) shall be treated as investment in the contract.”.

(b) Provision in effect after Pension Protection Act.—Subsection (e) of section 408A, as in effect after the amendments made by section 824 of the Pension Protection Act of 2006, is amended to read as follows:

“(e) Qualified Rollover Contribution.—For purposes of this section—

“(1) In general.—The term ‘qualified rollover contribution’ means a rollover contribution—
“(A) to a Roth IRA from another such account,

“(B) from an eligible retirement plan, but only if—

“(i) in the case of an individual retirement plan, such rollover contribution meets the requirements of section 408(d)(3), and

“(ii) in the case of any eligible retirement plan (as defined in section 402(c)(8)(B) other than clauses (i) and (ii) thereof), such rollover contribution meets the requirements of section 402(c), 403(b)(8), or 457(e)(16), as applicable.

For purposes of section 408(d)(3)(B), there shall be disregarded any qualified rollover contribution from an individual retirement plan (other than a Roth IRA) to a Roth IRA.

“(2) MILITARY DEATH GRATUITY.—

“(A) IN GENERAL.—The term ‘qualified rollover contribution’ includes a contribution to a Roth IRA maintained for the benefit of an individual made before the end of the 1-year period beginning on the date on which such individual receives an amount under section 1477 of title 10, United States Code, or section 1967 of title
38 of such Code, with respect to a person, to the extent that such contribution does not exceed—

“(i) the sum of the amounts received during such period by such individual under such sections with respect to such person, reduced by

“(ii) the amounts so received which were contributed to a Coverdell education savings account under section 530(d)(9).

“(B) ANNUAL LIMIT ON NUMBER OF ROLL-OVERS NOT TO APPLY.—Section 408(d)(3)(B) shall not apply with respect to amounts treated as a rollover by the subparagraph (A).

“(C) APPLICATION OF SECTION 72.—For purposes of applying section 72 in the case of a distribution which is not a qualified distribution, the amount treated as a rollover by reason of subparagraph (A) shall be treated as investment in the contract.”.

(c) EDUCATION SAVINGS ACCOUNTS.—Subsection (d) of section 530 is amended by adding at the end the following new paragraph:

“(9) MILITARY DEATH GRATUITY.—

“(A) IN GENERAL.—For purposes of this section, the term ‘rollover contribution’ includes
a contribution to a Coverdell education savings account made before the end of the 1-year period beginning on the date on which the contributor receives an amount under section 1477 of title 10, United States Code, or section 1967 of title 38 of such Code, with respect to a person, to the extent that such contribution does not exceed—

“(i) the sum of the amounts received during such period by such contributor under such sections with respect to such person, reduced by

“(ii) the amounts so received which were contributed to a Roth IRA under section 408A(e)(2) or to another Coverdell education savings account.

“(B) ANNUAL LIMIT ON NUMBER OF ROLLOVERS NOT TO APPLY.—The last sentence of paragraph (5) shall not apply with respect to amounts treated as a rollover by the subparagraph (A).

“(C) APPLICATION OF SECTION 72.—For purposes of applying section 72 in the case of a distribution which is includible in gross income under paragraph (1), the amount treated as a
rollover by reason of subparagraph (A) shall be treated as investment in the contract.”.

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided by paragraphs (2) and (3), the amendments made by this section shall apply with respect to deaths from injuries occurring on or after the date of the enactment of this Act.

(2) APPLICATION OF AMENDMENTS TO DEATHS FROM INJURIES OCCURRING ON OR AFTER OCTOBER 7, 2001, AND BEFORE ENACTMENT.—The amendments made by this section shall apply to any contribution made pursuant to section 408A(e)(2) or 530(d)(5) of the Internal Revenue Code of 1986, as amended by this Act, with respect to amounts received under section 1477 of title 10, United States Code, or under section 1967 of title 38 of such Code, for deaths from injuries occurring on or after October 7, 2001, and before the date of the enactment of this Act if such contribution is made not later than 1 year after the date of the enactment of this Act.

(3) PENSION PROTECTION ACT CHANGES.—Section 408A(e)(1) of the Internal Revenue Code of 1986 (as in effect after the amendments made by subsection
(b)) shall apply to taxable years beginning after December 31, 2007.

SEC. 109. SUSPENSION OF 5-YEAR PERIOD DURING SERVICE WITH THE PEACE CORPS.

(a) In General.—Subsection (d) of section 121 (relating to special rules) is amended by adding at the end the following new paragraph:

"(12) PEACE CORPS.—

"(A) In General.—At the election of an individual with respect to a property, the running of the 5-year period described in subsections (a) and (c)(1)(B) and paragraph (7) of this subsection with respect to such property shall be suspended during any period that such individual or such individual’s spouse is serving outside the United States—

"(i) on qualified official extended duty (as defined in paragraph (9)(C)) as an employee of the Peace Corps, or

"(ii) as an enrolled volunteer or volunteer leader under section 5 or 6 (as the case may be) of the Peace Corps Act (22 U.S.C. 2504, 2505)."
“(B) APPLICABLE RULES.—For purposes of subparagraph (A), rules similar to the rules of subparagraphs (B) and (D) shall apply.”.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 2007.

SEC. 110. CREDIT FOR EMPLOYER DIFFERENTIAL WAGE PAYMENTS TO EMPLOYEES WHO ARE ACTIVE DUTY MEMBERS OF THE UNIFORMED SERVICES.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 (relating to business credits) is amended by adding at the end the following new section:

“SEC. 45O. EMPLOYER WAGE CREDIT FOR EMPLOYEES WHO ARE ACTIVE DUTY MEMBERS OF THE UNIFORMED SERVICES.

“(a) GENERAL RULE.—For purposes of section 38, in the case of an eligible small business employer, the differential wage payment credit for any taxable year is an amount equal to 20 percent of the sum of the eligible differential wage payments for each of the qualified employees of the taxpayer during such taxable year.

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

“(1) ELIGIBLE DIFFERENTIAL WAGE PAYMENTS.—The term ‘eligible differential wage pay-
ments’ means, with respect to each qualified employee, so much of the differential wage payments (as defined in section 3401(h)(2)) paid to such employee for the taxable year as does not exceed $20,000.

“(2) QUALIFIED EMPLOYEE.—The term ‘qualified employee’ means a person who has been an employee of the taxpayer for the 91-day period immediately preceding the period for which any differential wage payment is made.

“(3) ELIGIBLE SMALL BUSINESS EMPLOYER.—

“(A) IN GENERAL.—The term ‘eligible small business employer’ means, with respect to any taxable year, any employer which—

“(i) employed an average of less than 50 employees on business days during such taxable year, and

“(ii) under a written plan of the employer, provides eligible differential wage payments to every qualified employee of the employer.

“(B) CONTROLLED GROUPS.—For purposes of subparagraph (A), all persons treated as a single employer under subsection (b), (c), (m), or (o) of section 414 shall be treated as a single employer.
“(c) Coordination With Other Credits.—The amount of credit otherwise allowable under this chapter with respect to compensation paid to any employee shall be reduced by the credit determined under this section with respect to such employee.

“(d) Disallowance For Failure To Comply With Employment Or Reemployment Rights Of Members Of The Reserve Components Of The Armed Forces Of The United States.—No credit shall be allowed under subsection (a) to a taxpayer for—

“(1) any taxable year, beginning after the date of the enactment of this section, in which the taxpayer is under a final order, judgment, or other process issued or required by a district court of the United States under section 4323 of title 38 of the United States Code with respect to a violation of chapter 43 of such title, and

“(2) the 2 succeeding taxable years.

“(e) Certain Rules To Apply.—For purposes of this section, rules similar to the rules of subsections (c), (d), and (e) of section 52 shall apply.

“(f) Termination.—This section shall not apply to any payments made after December 31, 2009.”.

(b) Credit Treated As Part Of General Business Credit.—Section 38(b) (relating to general business
credit) is amended by striking “plus” at the end of paragraph (30), by striking the period at the end of paragraph (31) and inserting “; plus”, and by adding at the end of following new paragraph:

“(32) the differential wage payment credit determined under section 45O(a).”.

(c) No Deduction for Compensation Taken Into Account for Credit.—Section 280C(a) (relating to rule for employment credits) is amended by inserting “45O(a),” after “45A(a),”.

(d) Clerical Amendment.—The table of sections for subpart D of part IV of subchapter A of chapter 1 is amended by adding at the end the following new item:

“Sec. 45O. Employer wage credit for employees who are active duty members of the uniformed services.”.

(e) Effective Date.—The amendments made by this section shall apply to amounts paid after the date of the enactment of this Act.

SEC. 111. STATE PAYMENTS TO SERVICE MEMBERS TREATED AS QUALIFIED MILITARY BENEFITS.

(a) In General.—Section 134(b) (defining qualified military benefit) is amended by adding at the end the following new paragraph:

“(6) Certain State Payments.—The term ‘qualified military benefit’ includes any bonus payment by a State or political subdivision thereof to
any member or former member of the uniformed services of the United States or any dependent of such member only by reason of such member’s service in an combat zone (as defined in section 112(c)(2), determined without regard to the parenthetical).”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to payments made before, on, or after the date of the enactment of this Act.

SEC. 112. PERMANENT EXCLUSION OF GAIN FROM SALE OF A PRINCIPAL RESIDENCE BY CERTAIN EMPLOYEES OF THE INTELLIGENCE COMMUNITY.

(a) PERMANENT EXCLUSION.—

(1) IN GENERAL.—Section 417(e) of division A of the Tax Relief and Health Care Act of 2006 is amended by striking “and before January 1, 2011”.

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to sales or exchanges after December 31, 2010.

(b) DUTY STATION MAY BE INSIDE UNITED STATES.—

(1) IN GENERAL.—Section 121(d)(9)(C) (defining qualified official extended duty) is amended by striking clause (vi).
(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to sales or exchanges after the date of the enactment of this Act.

SEC. 113. SPECIAL DISPOSITION RULES FOR UNUSED BENEFITS IN HEALTH FLEXIBLE SPENDING ARRANGEMENTS OF INDIVIDUALS CALLED TO ACTIVE DUTY.

(a) IN GENERAL.—Section 125 (relating to cafeteria plans) is amended by redesignating subsections (h) and (i) as subsection (i) and (j), respectively, and by inserting after subsection (g) the following new subsection:

“(h) SPECIAL RULE FOR UNUSED BENEFITS IN
HEALTH FLEXIBLE SPENDING ARRANGEMENTS OF INDIVIDUALS CALLED TO ACTIVE DUTY.—

“(1) IN GENERAL.—For purposes of this title, a plan or other arrangement shall not fail to be treated as a cafeteria plan or health flexible spending arrangement merely because such arrangement provides for qualified reservist distributions.

“(2) QUALIFIED RESERVIST DISTRIBUTION.—For purposes of this subsection, the term ‘qualified reservist distribution’ means, any distribution to an individual of all or a portion of the balance in the employee’s account under such arrangement if—
“(A) such individual was (by reason of being a member of a reserve component (as defined in section 101 of title 37, United States Code)) ordered or called to active duty for a period in excess of 179 days or for an indefinite period, and

“(B) such distribution is made during the period beginning on the date of such order or call and ending on the last date that reimbursements could otherwise be made under such arrangement for the plan year which includes the date of such order or call.”.

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

SEC. 114. OPTION TO EXCLUDE MILITARY BASIC HOUSING ALLOWANCE FOR PURPOSES OF DETERMINING INCOME ELIGIBILITY UNDER LOW-INCOME HOUSING CREDIT AND BOND-FINANCED RESIDENTIAL RENTAL PROJECTS.

(a) IN GENERAL.—The last sentence of 142(d)(2)(B) (relating to income of individuals; area median gross income) is amended to read as follows: “For purposes of determining income under this subparagraph—
“(i) subsections (g) and (h) of section 7872 shall not apply, and

“(ii) in the case of determinations made before January 1, 2015, payments under section 403 of title 37, United States Code, as a basic pay allowance for housing shall be disregarded if the project is located in a census tract which is designated by the Governor (of the State in which such tract is located) as being in need of housing for members of the Armed Forces of the United States.”.

(b) EFFECTIVE DATE.—The amendment made by this section shall take effect with respect to determinations made after the date of the enactment of this Act.

TITLE II—REVENUE PROVISIONS

SEC. 201. INCREASE IN PENALTY FOR FAILURE TO FILE PARTNERSHIP RETURNS.

(a) INCREASE IN PENALTY AMOUNT.—Paragraph (1) of section 6698(b) (relating to amount per month), as amended by section 8 of the Mortgage Forgiveness Debt Relief Act of 2007, is amended by striking “$85” and inserting “$100”.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect as if included in the amendments
made by section 8 of the Mortgage Forgiveness Debt Relief Act of 2007.

SEC. 202. INCREASE IN PENALTY FOR FAILURE TO FILE CORPORATION RETURNS.

(a) In General.—Paragraph (1) of section 6699(b) (relating to amount per month), as added to the Internal Revenue Code of 1986 by section 9 of the Mortgage Forgiveness Debt Relief Act of 2007, is amended by striking “$85” and inserting “$100”.

(b) Effective Date.—The amendment made by subsection (a) shall take effect as if included in the amendments made by section 9 of the Mortgage Forgiveness Debt Relief Act of 2007.

SEC. 203. INCREASE IN MINIMUM PENALTY ON FAILURE TO FILE A RETURN OF TAX.

(a) In General.—Subsection (a) of section 6651 is amended by striking “$100” in the last sentence and inserting “$225”.

(b) Effective Date.—The amendment made by this section shall apply to returns the due date for the filing of which (including extensions) is after December 31, 2007.

SEC. 204. REVISION OF TAX RULES ON EXPATRIATION.

(a) In General.—Subpart A of part II of subchapter N of chapter 1 is amended by inserting after section 877 the following new section:
“SEC. 877A. TAX RESPONSIBILITIES OF EXPATRIATION.

“(a) GENERAL RULES.—For purposes of this subtitle—

“(1) MARK TO MARKET.—All property of a covered expatriate shall be treated as sold on the day before the expatriation date for its fair market value.

“(2) RECOGNITION OF GAIN OR LOSS.—In the case of any sale under paragraph (1)—

“(A) notwithstanding any other provision of this title, any gain arising from such sale shall be taken into account for the taxable year of the sale, and

“(B) any loss arising from such sale shall be taken into account for the taxable year of the sale to the extent otherwise provided by this title, except that section 1091 shall not apply to any such loss.

Proper adjustment shall be made in the amount of any gain or loss subsequently realized for gain or loss taken into account under the preceding sentence, determined without regard to paragraph (3).

“(3) EXCLUSION FOR CERTAIN GAIN.—

“(A) IN GENERAL.—The amount which would (but for this paragraph) be includible in the gross income of any individual by reason of
paragraph (1) shall be reduced (but not below zero) by $600,000.

“(B) ADJUSTMENT FOR INFLATION.—

“(i) In general.—In the case of any taxable year beginning in a calendar year after 2008, the dollar amount in subparagraph (A) shall be increased by an amount equal to—

“(I) such dollar amount, multiplied by

“(II) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, by substituting ‘calendar year 2007’ for ‘calendar year 1992’ in subparagraph (B) thereof.

“(ii) Rounding.—If any amount as adjusted under clause (i) is not a multiple of $1,000, such amount shall be rounded to the nearest multiple of $1,000.

“(b) ELECTION TO DEFER TAX.—

“(1) In general.—If the taxpayer elects the application of this subsection with respect to any property treated as sold by reason of subsection (a), the time for payment of the additional tax attributable to
such property shall be extended until the due date of
the return for the taxable year in which such property
is disposed of (or, in the case of property disposed of
in a transaction in which gain is not recognized in
whole or in part, until such other date as the Sec-
retary may prescribe).

“(2) Determination of tax with respect to
property.—For purposes of paragraph (1), the addi-
tional tax attributable to any property is an amount
which bears the same ratio to the additional tax im-
posed by this chapter for the taxable year solely by
reason of subsection (a) as the gain taken into ac-
count under subsection (a) with respect to such prop-
erty bears to the total gain taken into account under
subsection (a) with respect to all property to which
subsection (a) applies.

“(3) Termination of extension.—The due
date for payment of tax may not be extended under
this subsection later than the due date for the return
of tax imposed by this chapter for the taxable year
which includes the date of death of the expatriate (or,
if earlier, the time that the security provided with re-
spect to the property fails to meet the requirements of
paragraph (4), unless the taxpayer corrects such fail-
ure within the time specified by the Secretary).
“(4) Security.—

“(A) In general.—No election may be made under paragraph (1) with respect to any property unless adequate security is provided with respect to such property.

“(B) Adequate security.—For purposes of subparagraph (A), security with respect to any property shall be treated as adequate security if—

“(i) it is a bond which is furnished to, and accepted by, the Secretary, which is conditioned on the payment of tax (and interest thereon), and which meets the requirements of section 6325, or

“(ii) it is another form of security for such payment (including letters of credit) that meets such requirements as the Secretary may prescribe.

“(5) Waiver of certain rights.—No election may be made under paragraph (1) unless the taxpayer makes an irrevocable waiver of any right under any treaty of the United States which would preclude assessment or collection of any tax imposed by reason of this section.
“(6) Elections.—An election under paragraph (1) shall only apply to property described in the election and, once made, is irrevocable.

“(7) Interest.—For purposes of section 6601, the last date for the payment of tax shall be determined without regard to the election under this subsection.

“(c) Exception for Certain Property.—Subsection (a) shall not apply to—

“(1) any deferred compensation item (as defined in subsection (d)(4)),

“(2) any specified tax deferred account (as defined in subsection (e)(2)), and

“(3) any interest in a nongrantor trust (as defined in subsection (f)(3)).

“(d) Treatment of Deferred Compensation Items.—

“(1) Withholding on Eligible Deferred Compensation Items.—

“(A) In General.—In the case of any eligible deferred compensation item, the payor shall deduct and withhold from any taxable payment to a covered expatriate with respect to such item a tax equal to 30 percent thereof.
“(B) TAXABLE PAYMENT.—For purposes of subparagraph (A), the term ‘taxable payment’ means with respect to a covered expatriate any payment to the extent it would be includible in the gross income of the covered expatriate if such expatriate continued to be subject to tax as a citizen or resident of the United States. A deferred compensation item shall be taken into account as a payment under the preceding sentence when such item would be so includible.

“(2) OTHER DEFERRED COMPENSATION ITEMS.—In the case of any deferred compensation item which is not an eligible deferred compensation item—

“(A)(i) with respect to any deferred compensation item to which clause (ii) does not apply, an amount equal to the present value of the covered expatriate’s accrued benefit shall be treated as having been received by such individual on the day before the expatriation date as a distribution under the plan, and

“(ii) with respect to any deferred compensation item referred to in paragraph (4)(D), the rights of the covered expatriate to such item shall be treated as becoming transferable and not sub-
ject to a substantial risk of forfeiture on the day
before the expatriation date,

“(B) no early distribution tax shall apply
by reason of such treatment, and

“(C) appropriate adjustments shall be made
to subsequent distributions from the plan to re-

flect such treatment.

“(3) **Eligible deferred compensation items.**—For purposes of this subsection, the term ‘eligi-

ble deferred compensation item’ means any deferred

compensation item with respect to which—

“(A) the payor of such item is—

“(i) a United States person, or

“(ii) a person who is not a United

States person but who elects to be treated as

a United States person for purposes of

paragraph (1) and meets such requirements

as the Secretary may provide to ensure that

the payor will meet the requirements of

paragraph (1), and

“(B) the covered expatriate—

“(i) notifies the payor of his status as

a covered expatriate, and

“(ii) makes an irrevocable waiver of

any right to claim any reduction under any
treaty with the United States in withholding on such item.

“(4) DEFERRED COMPENSATION ITEM.—For purposes of this subsection, the term ‘deferred compensation item’ means—

“(A) any interest in a plan or arrangement described in section 219(g)(5),

“(B) any interest in a foreign pension plan or similar retirement arrangement or program,

“(C) any item of deferred compensation, and

“(D) any property, or right to property, which the individual is entitled to receive in connection with the performance of services to the extent not previously taken into account under section 83 or in accordance with section 83.

“(5) EXCEPTION.—Paragraphs (1) and (2) shall not apply to any deferred compensation item which is attributable to services performed outside the United States while the covered expatriate was not a citizen or resident of the United States.

“(6) SPECIAL RULES.—

“(A) APPLICATION OF WITHHOLDING RULES.—Rules similar to the rules of subchapter
B of chapter 3 shall apply for purposes of this subsection.

“(B) Application of Tax.—Any item subject to the withholding tax imposed under paragraph (1) shall be subject to tax under section 871.

“(C) Coordination with Other Withholding Requirements.—Any item subject to withholding under paragraph (1) shall not be subject to withholding under section 1441 or chapter 24.

“(e) Treatment of Specified Tax Deferred Accounts.—

“(1) Account treated as distributed.—In the case of any interest in a specified tax deferred account held by a covered expatriate on the day before the expatriation date—

“(A) the covered expatriate shall be treated as receiving a distribution of his entire interest in such account on the day before the expatriation date,

“(B) no early distribution tax shall apply by reason of such treatment, and
“(C) appropriate adjustments shall be made
to subsequent distributions from the account to
reflect such treatment.

“(2) SPECIFIED TAX DEFERRED ACCOUNT.—For purposes of paragraph (1), the term ‘specified tax de-
ferred account’ means an individual retirement plan
(as defined in section 7701(a)(37)) other than any ar-
angement described in subsection (k) or (p) of section
408, a qualified tuition program (as defined in sec-
tion 529), a Coverdell education savings account (as
defined in section 530), a health savings account (as
defined in section 223), and an Archer MSA (as de-
finedin section 220).

“(f) SPECIAL RULES FOR NONGRANTOR TRUSTS.—

“(1) IN GENERAL.—In the case of a distribution
(directly or indirectly) of any property from a non-
grantor trust to a covered expatriate—

“(A) the trustee shall deduct and withhold
from such distribution an amount equal to 30
percent of the taxable portion of the distribution,
and

“(B) if the fair market value of such prop-
erty exceeds its adjusted basis in the hands of the
trust, gain shall be recognized to the trust as if
such property were sold to the expatriate at its fair market value.

“(2) TAXABLE PORTION.—For purposes of this subsection, the term ‘taxable portion’ means, with respect to any distribution, that portion of the distribution which would be includible in the gross income of the covered expatriate if such expatriate continued to be subject to tax as a citizen or resident of the United States.

“(3) NONGRANTOR TRUST.—For purposes of this subsection, the term ‘nongrantor trust’ means the portion of any trust that the individual is not considered the owner of under subpart E of part I of subchapter J. The determination under the preceding sentence shall be made immediately before the expatriation date.

“(4) SPECIAL RULES RELATING TO WITHHOLDING.—For purposes of this subsection—

“(A) rules similar to the rules of subsection (d)(6) shall apply, and

“(B) the covered expatriate shall be treated as having waived any right to claim any reduction under any treaty with the United States in withholding on any distribution to which paragraph (1)(A) applies unless the covered expatriate
triate agrees to such other treatment as the Secretary determines appropriate.

“(5) APPLICATION.—This subsection shall apply to a nongrantor trust only if the covered expatriate was a beneficiary of the trust on the day before the expatriation date.

“(g) DEFINITIONS AND SPECIAL RULES RELATING TO EXPATRIATION.—For purposes of this section—

“(1) COVERED EXPATRIATE.—

“(A) IN GENERAL.—The term ‘covered expatriate’ means an expatriate who meets the requirements of subparagraph (A), (B), or (C) of section 877(a)(2).

“(B) EXCEPTIONS.—An individual shall not be treated as meeting the requirements of subparagraph (A) or (B) of section 877(a)(2) if—

“(i) the individual—

“(I) became at birth a citizen of the United States and a citizen of another country and, as of the expatriation date, continues to be a citizen of, and is taxed as a resident of, such other country, and
“(II) has been a resident of the United States (as defined in section 7701(b)(1)(A)(ii)) for not more than 10 taxable years during the 15-taxable year period ending with the taxable year during which the expatriation date occurs, or

“(ii)(I) the individual’s relinquishment of United States citizenship occurs before such individual attains age 18½, and

“(II) the individual has been a resident of the United States (as so defined) for not more than 10 taxable years before the date of relinquishment.

“(C) COVERED EXPATRIATES ALSO SUBJECT TO TAX AS CITIZENS OR RESIDENTS.—In the case of any covered expatriate who is subject to tax as a citizen or resident of the United States for any period beginning after the expatriation date, such individual shall not be treated as a covered expatriate during such period for purposes of subsections (d)(1) and (f) and section 2801.

“(2) EXPATRIATE.—The term ‘expatriate’ means—
“(A) any United States citizen who relinquishes his citizenship, and

“(B) any long-term resident of the United States who ceases to be a lawful permanent resident of the United States (within the meaning of section 7701(b)(6)).

“(3) EXPATRIATION DATE.—The term ‘expatriation date’ means—

“(A) the date an individual relinquishes United States citizenship, or

“(B) in the case of a long-term resident of the United States, the date on which the individual ceases to be a lawful permanent resident of the United States (within the meaning of section 7701(b)(6)).

“(4) RELINQUISHMENT OF CITIZENSHIP.—A citizen shall be treated as relinquishing his United States citizenship on the earliest of—

“(A) the date the individual renounces his United States nationality before a diplomatic or consular officer of the United States pursuant to paragraph (5) of section 349(a) of the Immigration and Nationality Act (8 U.S.C. 1481(a)(5)),

“(B) the date the individual furnishes to the United States Department of State a signed
statement of voluntary relinquishment of United States nationality confirming the performance of an act of expatriation specified in paragraph (1), (2), (3), or (4) of section 349(a) of the Immigration and Nationality Act (8 U.S.C. 1481(a)(1)–(4)),

“(C) the date the United States Department of State issues to the individual a certificate of loss of nationality, or

“(D) the date a court of the United States cancels a naturalized citizen’s certificate of naturalization.

Subparagraph (A) or (B) shall not apply to any individual unless the renunciation or voluntary relinquishment is subsequently approved by the issuance to the individual of a certificate of loss of nationality by the United States Department of State.

“(5) LONG-TERM RESIDENT.—The term ‘long-term resident’ has the meaning given to such term by section 877(e)(2).

“(6) EARLY DISTRIBUTION TAX.—The term ‘early distribution tax’ means any increase in tax imposed under section 72(t), 220(e)(4), 223(f)(4), 409A(a)(1)(B), 529(c)(6), or 530(d)(4).

“(h) OTHER RULES.—
“(1) TERMINATION OF DEFERRALS, ETC.—In the case of any covered expatriate, notwithstanding any other provision of this title—

“(A) any time period for acquiring property which would result in the reduction in the amount of gain recognized with respect to property disposed of by the taxpayer shall terminate on the day before the expatriation date, and

“(B) any extension of time for payment of tax shall cease to apply on the day before the expatriation date and the unpaid portion of such tax shall be due and payable at the time and in the manner prescribed by the Secretary.

“(2) STEP-UP IN BASIS.—Solely for purposes of determining any tax imposed by reason of subsection (a), property which was held by an individual on the date the individual first became a resident of the United States (within the meaning of section 7701(b)) shall be treated as having a basis on such date of not less than the fair market value of such property on such date. The preceding sentence shall not apply if the individual elects not to have such sentence apply. Such an election, once made, shall be irrevocable.

“(3) COORDINATION WITH SECTION 684.—If the expatriation of any individual would result in the
recognition of gain under section 684, this section shall be applied after the application of section 684.

“(i) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this section.”.

(b) TAX ON GIFTS AND BEQUESTS RECEIVED BY UNITED STATES CITIZENS AND RESIDENTS FROM EXPATRIATES.—

(1) IN GENERAL.—Subtitle B (relating to estate and gift taxes) is amended by inserting after chapter 14 the following new chapter:

“CHAPTER 15—GIFTS AND BEQUESTS FROM EXPATRIATES

“Sec. 2801. Imposition of tax.

“SEC. 2801. IMPOSITION OF TAX.

“(a) IN GENERAL.—If, during any calendar year, any United States citizen or resident receives any covered gift or bequest, there is hereby imposed a tax equal to the product of—

“(1) the highest rate of tax specified in the table contained in section 2001(c) as in effect on the date of such receipt (or, if greater, the highest rate of tax specified in the table applicable under section 2502(a) as in effect on the date), and

“(2) the value of such covered gift or bequest.
“(b) Tax To Be Paid By Recipient.—The tax imposed by subsection (a) on any covered gift or bequest shall be paid by the person receiving such gift or bequest.

“(c) Exception For Certain Gifts.—Subsection (a) shall apply only to the extent that the value of covered gifts and bequests received by any person during the calendar year exceeds the dollar amount in effect under section 2503(b) for such calendar year.

“(d) Tax Reduced By Foreign Gift Or Estate Tax.—The tax imposed by subsection (a) on any covered gift or bequest shall be reduced by the amount of any gift or estate tax paid to a foreign country with respect to such covered gift or bequest.

“(e) Covered Gift Or Bequest.—

“(1) In General.—For purposes of this chapter, the term ‘covered gift or bequest’ means—

“(A) any property acquired by gift directly or indirectly from an individual who, at the time of such acquisition, is a covered expatriate, and

“(B) any property acquired directly or indirectly by reason of the death of an individual who, immediately before such death, was a covered expatriate.
“(2) Exceptions for transfers otherwise subject to estate or gift tax.—Such term shall not include—

“(A) any property shown on a timely filed return of tax imposed by chapter 12 which is a taxable gift by the covered expatriate, and

“(B) any property included in the gross estate of the covered expatriate for purposes of chapter 11 and shown on a timely filed return of tax imposed by chapter 11 of the estate of the covered expatriate.

“(3) Exceptions for transfers to spouse or charity.—Such term shall not include any property with respect to which a deduction would be allowed under section 2055, 2056, 2522, or 2523, whichever is appropriate, if the decedent or donor were a United States person.

“(4) Transfers in trust.—

“(A) Domestic trusts.—In the case of a covered gift or bequest made to a domestic trust—

“(i) subsection (a) shall apply in the same manner as if such trust were a United States citizen, and
“(ii) the tax imposed by subsection (a) on such gift or bequest shall be paid by such trust.

“(B) FOREIGN TRUSTS.—

“(i) IN GENERAL.—In the case of a covered gift or bequest made to a foreign trust, subsection (a) shall apply to any distribution attributable to such gift or bequest from such trust (whether from income or corpus) to a United States citizen or resident in the same manner as if such distribution were a covered gift or bequest.

“(ii) DEDUCTION FOR TAX PAID BY RECIPIENT.—There shall be allowed as a deduction under section 164 the amount of tax imposed by this section which is paid or accrued by a United States citizen or resident by reason of a distribution from a foreign trust, but only to the extent such tax is imposed on the portion of such distribution which is included in the gross income of such citizen or resident.

“(iii) ELECTION TO BE TREATED AS DOMESTIC TRUST.—Solely for purposes of this section, a foreign trust may elect to be
treated as a domestic trust. Such an election may be revoked with the consent of the Secretary.

“(f) COVERED EXPATRIATE.—For purposes of this section, the term ‘covered expatriate’ has the meaning given to such term by section 877A(g)(1).”.

(2) CLERICAL AMENDMENT.—The table of chapters for subtitle B is amended by inserting after the item relating to chapter 14 the following new item:

“CHAPTER 15. GIFTS AND BEQUESTS FROM EXPATRIATES.”.

(c) DEFINITION OF TERMINATION OF UNITED STATES CITIZENSHIP.—

(1) IN GENERAL.—Section 7701(a) is amended by adding at the end the following new paragraph:

“(50) TERMINATION OF UNITED STATES CITIZENSHIP.—

“(A) IN GENERAL.—An individual shall not cease to be treated as a United States citizen before the date on which the individual’s citizenship is treated as relinquished under section 877A(g)(4).

“(B) DUAL CITIZENS.—Under regulations prescribed by the Secretary, subparagraph (A) shall not apply to an individual who became at birth a citizen of the United States and a citizen of another country.”.
(2) CONFORMING AMENDMENTS.—

(A) Paragraph (1) of section 877(e) is amended to read as follows:

“(1) IN GENERAL.—Any long-term resident of the United States who ceases to be a lawful permanent resident of the United States (within the meaning of section 7701(b)(6)) shall be treated for purposes of this section and sections 2107, 2501, and 6039G in the same manner as if such resident were a citizen of the United States who lost United States citizenship on the date of such cessation or commencement.”.

(B) Paragraph (6) of section 7701(b) is amended by adding at the end the following flush sentence:

“An individual shall cease to be treated as a lawful permanent resident of the United States if such individual commences to be treated as a resident of a foreign country under the provisions of a tax treaty between the United States and the foreign country, does not waive the benefits of such treaty applicable to residents of the foreign country, and notifies the Secretary of the commencement of such treatment.”.

(C) Section 7701 is amended by striking subsection (n) and by redesignating subsections
(o) and (p) as subsections (n) and (o), respectively.

(d) INFORMATION RETURNS.—Section 6039G is amended—

(1) by inserting “or 877A” after “section 877(b)” in subsection (a), and

(2) by inserting “or 877A” after “section 877(a)” in subsection (d).

(e) CLERICAL AMENDMENT.—The table of sections for subpart A of part II of subchapter N of chapter 1 is amended by inserting after the item relating to section 877 the following new item:

“Sec. 877A. Tax responsibilities of expatriation.”.

(f) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in this subsection, the amendments made by this section shall apply to expatriates (as defined in section 877A(g) of the Internal Revenue Code of 1986, as added by this section) whose expatriation date (as so defined) is on or after the date of the enactment of this Act.

(2) GIFTS AND BEQUESTS.—Chapter 15 of the Internal Revenue Code of 1986 (as added by subsection (b)) shall apply to covered gifts and bequests (as defined in section 2801 of such Code, as so added) received on or after the date of the enactment of this
Act from transferors whose expatriation date is on or after such date of enactment.

SEC. 205. SPECIAL ENROLLMENT OPTION BY EMPLOYER HEALTH PLANS FOR MEMBERS OF UNIFORM SERVICES WHO LOSE HEALTH CARE COVERAGE.

(a) IN GENERAL.—Section 9801(f) (relating to special enrollment periods) is amended by adding at the end the following new paragraph:

“(3) LOSS OF MILITARY HEALTH COVERAGE.—

“(A) IN GENERAL.—Notwithstanding paragraphs (1) and (2), a group health plan shall permit an employee who is eligible, but not enrolled, for coverage under the terms of the plan (or a dependent of such an employee if the dependent is eligible, but not enrolled, for coverage under such terms) to enroll for coverage under the terms of the plan if each of the following conditions is met:

“(i) The employee or dependent, by reason of service in the uniformed services (within the meaning of section 4303 of title 38, United States Code), was covered under a Federal health care benefit program (including coverage under the TRICARE pro-
gram (as that term is defined in section 1072 of title 10, United States Code) or by reason of entitlement to health care benefits under the laws administered by the Secretary of Veterans Affairs or as a member of the uniformed services on active duty), and the employee or dependent loses eligibility for such coverage.

“(ii) The employee or dependent is otherwise eligible to enroll for coverage under the terms of the plan.

“(iii) The employee requests such coverage not later than 90 days after the date on which the coverage described in clause (i) terminated.

“(B) Effective Date of Coverage.—Coverage requested under subparagraph (A)(iii) shall become effective not later than the first day of the first month after the date of such request.”.

(b) Employee Retirement Income Security Act of 1974.—Section 701(f) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1181(f)) is amended by adding at the end the following:

“(3) Loss of Military Health Coverage.—
“(A) IN GENERAL.—Notwithstanding paragraphs (1) and (2), a group health plan, and a health insurance issuer offering group health insurance coverage in connection with a group health plan, shall permit an employee who is eligible, but not enrolled, for coverage under the terms of the plan (or a dependent of such an employee if the dependent is eligible, but not enrolled, for coverage under such terms) to enroll for coverage under the terms of the plan if each of the following conditions is met:

“(i) The employee or dependent, by reason of service in the uniformed services (within the meaning of section 4303 of title 38, United States Code), was covered under a Federal health care benefit program (including coverage under the TRICARE program (as that term is defined in section 1072 of title 10, United States Code) or by reason of entitlement to health care benefits under the laws administered by the Secretary of Veterans Affairs or as a member of the uniformed services on active duty), and the employee or dependent loses eligibility for such coverage.
“(ii) The employee or dependent is otherwise eligible to enroll for coverage under the terms of the plan.

“(iii) The employee requests such coverage not later than 90 days after the date on which the coverage described in clause (i) terminated.

“(B) Effective date of coverage.—Coverage requested under subparagraph (A)(iii) shall become effective not later than the first day of the first month after the date of such request.”.

(c) Public Health Service Act.—Section 2701(f) of the Public Health Service Act (42 U.S.C. 300gg(f)) is amended by adding at the end the following:

“(3) Loss of military health coverage.—

“(A) In general.—Notwithstanding paragraphs (1) and (2), a group health plan, and a health insurance issuer offering group health insurance coverage in connection with a group health plan, shall permit an employee who is eligible, but not enrolled, for coverage under the terms of the plan (or a dependent of such an employee if the dependent is eligible, but not enrolled, for coverage under such terms) to enroll
for coverage under the terms of the plan if each of the following conditions is met:

“(i) The employee or dependent, by reason of service in the uniformed services (within the meaning of section 4303 of title 38, United States Code), was covered under a Federal health care benefit program (including coverage under the TRICARE program (as that term is defined in section 1072 of title 10, United States Code) or by reason of entitlement to health care benefits under the laws administered by the Secretary of Veterans Affairs or as a member of the uniformed services on active duty), and the employee or dependent loses eligibility for such coverage.

“(ii) The employee or dependent is otherwise eligible to enroll for coverage under the terms of the plan.

“(iii) The employee requests such coverage not later than 90 days after the date on which the coverage described in clause (i) terminated.

“(B) EFFECTIVE DATE OF COVERAGE.—Coverage requested under subparagraph (A)(iii)
shall become effective not later than the first day
of the first month after the date of such request.”.

(d) REGULATIONS.—The Secretary of the Treasury, the
Secretary of Labor, and the Secretary of Health and
Human Services, consistent with section 104 of the Health
Insurance Portability and Accountability Act of 1996 (42
U.S.C. 300gg–92 note), may promulgate such regulations
as may be necessary or appropriate to require the notifica-
tion of individuals (or their dependents) of their rights
under the amendment made by this Act.

(e) EFFECTIVE DATE.—The amendments made by this
section shall take effect 90 days after the date of the enact-
ment of this Act.

TITLE III—TAX TECHNICAL
CORRECTIONS

SEC. 301. SHORT TITLE.

This title may be cited as the “”.

SEC. 302. AMENDMENT RELATED TO THE TAX RELIEF AND
HEALTH CARE ACT OF 2006.

(a) Amendment Related to Section 402 of Division A of the Act.—Subparagraph (A) of section 53(e)(2)
is amended to read as follows:

“(A) IN GENERAL.—The term ‘AMT refund-
able credit amount’ means, with respect to any
taxable year, the amount (not in excess of the
long-term unused minimum tax credit for such taxable year) equal to the greater of—

“(i) $5,000,

“(ii) 20 percent of the long-term unused minimum tax credit for such taxable year, or

“(iii) the amount (if any) of the AMT refundable credit amount determined under this paragraph for the taxpayer’s preceding taxable year (as determined before any reduction under subparagraph (B)).”.

(b) EFFECTIVE DATE.—The amendment made by this section shall take effect as if included in the provision of the Tax Relief and Health Care Act of 2006 to which it relates.

SEC. 303. AMENDMENTS RELATED TO TITLE XII OF THE PENSION PROTECTION ACT OF 2006.

(a) AMENDMENT RELATED TO SECTION 1201 OF THE ACT.—Subparagraph (D) of section 408(d)(8) is amended by striking “all amounts distributed from all individual retirement plans were treated as 1 contract under paragraph (2)(A) for purposes of determining the inclusion of such distribution under section 72” and inserting “all amounts in all individual retirement plans of the individual were distributed during such taxable year and all such plans were
treated as 1 contract for purposes of determining under section 72 the aggregate amount which would have been so includible”.

(b) Amendment Related to Section 1203 of the Act.—Subsection (d) of section 1366 is amended by adding at the end the following new paragraph:

“(4) Application of Limitation on Charitable Contributions.—In the case of any charitable contribution of property to which the second sentence of section 1367(a)(2) applies, paragraph (1) shall not apply to the extent of the excess (if any) of—

“(A) the shareholder’s pro rata share of such contribution, over

“(B) the shareholder’s pro rata share of the adjusted basis of such property.”.

(c) Amendment Related to Section 1215 of the Act.—Subclause (I) of section 170(e)(7)(D)(i) is amended by striking “related” and inserting “substantial and related”.

(d) Amendments Related to Section 1218 of the Act.—

(1) Section 2055 is amended by striking subsection (g) and by redesignating subsection (h) as subsection (g).
(2) Subsection (e) of section 2522 is amended—

(A) by striking paragraphs (2) and (4),

(B) by redesignating paragraph (3) as paragraph (2), and

(C) by adding at the end of paragraph (2), as so redesignated, the following new subparagraph:

"(C) Initial fractional contribution.— For purposes of this paragraph, the term ‘initial fractional contribution’ means, with respect to any donor, the first gift of an undivided portion of the donor’s entire interest in any tangible personal property for which a deduction is allowed under subsection (a) or (b).”.

(e) Amendments Related to Section 1219 of the Act.—

(1) Paragraph (2) of section 6695A(a) is amended by inserting “a substantial estate or gift tax valuation understatement (within the meaning of section 6662(g)),” before “or a gross valuation misstatement”.

(2) Paragraph (1) of section 6696(d) is amended by striking “or under section 6695” and inserting “, section 6695, or 6695A”.
(f) Amendment Related to Section 1221 of the Act.—Subparagraph (A) of section 4940(c)(4) is amended to read as follows:

“(A) There shall not be taken into account any gain or loss from the sale or other disposition of property to the extent that such gain or loss is taken into account for purposes of computing the tax imposed by section 511.”.

(g) Amendment Related to Section 1225 of the Act.—

(1) Subsection (b) of section 6104 is amended—

(A) by striking “INFORMATION” in the heading, and

(B) by adding at the end the following:

“Any annual return which is filed under section 6011 by an organization described in section 501(c)(3) and which relates to any tax imposed by section 511 (relating to imposition of tax on unrelated business income of charitable, etc., organizations) shall be treated for purposes of this subsection in the same manner as if furnished under section 6033.”.

(2) Clause (ii) of section 6104(d)(1)(A) is amended to read as follows:
“(ii) any annual return which is filed under section 6011 by an organization described in section 501(c)(3) and which relates to any tax imposed by section 511 (relating to imposition of tax on unrelated business income of charitable, etc., organizations),”.

(3) Paragraph (2) of section 6104(d) is amended by striking “section 6033” and inserting “section 6011 or 6033”.

(h) AMENDMENT RELATED TO SECTION 1231 OF THE ACT.—Subsection (b) of section 4962 is amended by striking “or D” and inserting “D, or G”.

(i) AMENDMENT RELATED TO SECTION 1242 OF THE ACT.—

(1) Subclause (II) of section 4958(c)(3)(A)(i) is amended by striking “paragraph (1), (2), or (4) of section 509(a)” and inserting “subparagraph (C)(ii)”.

(2) Clause (ii) of section 4958(c)(3)(C) is amended to read as follows:

“(ii) EXCEPTION.—Such term shall not include—
“(I) any organization described in paragraph (1), (2), or (4) of section 509(a), and

“(II) any organization which is treated as described in such paragraph (2) by reason of the last sentence of section 509(a) and which is a supported organization (as defined in section 509(f)(3)) of the organization to which subparagraph (A) applies.”.

(j) EFFECTIVE DATE.—The amendments made by this section shall take effect as if included in the provisions of the Pension Protection Act of 2006 to which they relate.

SEC. 304. AMENDMENTS RELATED TO THE TAX INCREASE PREVENTION AND RECONCILIATION ACT OF 2005.

(a) AMENDMENTS RELATED TO SECTION 103 OF THE ACT.—Paragraph (6) of section 954(c) is amended by redesignating subparagraph (B) as subparagraph (C) and inserting after subparagraph (A) the following new subparagraph:

“(B) EXCEPTION.—Subparagraph (A) shall not apply in the case of any interest, rent, or royalty to the extent such interest, rent, or royalty creates (or increases) a deficit which under
section 952(c) may reduce the subpart F income of the payor or another controlled foreign corporation.”

(b) AMENDMENTS RELATED TO SECTION 202 OF THE ACT.—

(1) Subparagraph (A) of section 355(b)(2) is amended to read as follows:

“(A) it is engaged in the active conduct of a trade or business,”.

(2) Paragraph (3) of section 355(b) is amended to read as follows:

“(3) SPECIAL RULES FOR DETERMINING ACTIVE CONDUCT IN THE CASE OF AFFILIATED GROUPS.—

“(A) IN GENERAL.—For purposes of determining whether a corporation meets the requirements of paragraph (2)(A), all members of such corporation’s separate affiliated group shall be treated as one corporation.

“(B) SEPARATE AFFILIATED GROUP.—For purposes of this paragraph, the term ‘separate affiliated group’ means, with respect to any corporation, the affiliated group which would be determined under section 1504(a) if such corporation were the common parent and section 1504(b) did not apply.
“(C) Treatment of trade or business conducted by acquired member.—If a corporation became a member of a separate affiliated group as a result of one or more transactions in which gain or loss was recognized in whole or in part, any trade or business conducted by such corporation (at the time that such corporation became such a member) shall be treated for purposes of paragraph (2) as acquired in a transaction in which gain or loss was recognized in whole or in part.

“(D) Regulations.—The Secretary shall prescribe such regulations as are necessary or appropriate to carry out the purposes of this paragraph, including regulations which provide for the proper application of subparagraphs (B), (C), and (D) of paragraph (2), and modify the application of subsection (a)(3)(B), in connection with the application of this paragraph.”.

(3) The Internal Revenue Code of 1986 shall be applied and administered as if the amendments made by section 202 of the Tax Increase Prevention and Reconciliation Act of 2005 and by section 410 of division A of the Tax Relief and Health Care Act of 2006 had never been enacted.
(e) Amendment Related to Section 515 of the Act.—Subsection (f) of section 911 is amended to read as follows:

“(f) Determination of Tax Liability.—

“(1) In General.—If, for any taxable year, any amount is excluded from gross income of a taxpayer under subsection (a), then, notwithstanding sections 1 and 55—

“(A) if such taxpayer has taxable income for such taxable year, the tax imposed by section 1 for such taxable year shall be equal to the excess (if any) of—

“(i) the tax which would be imposed by section 1 for such taxable year if the taxpayer’s taxable income were increased by the amount excluded under subsection (a) for such taxable year, over

“(ii) the tax which would be imposed by section 1 for such taxable year if the taxpayer’s taxable income were equal to the amount excluded under subsection (a) for such taxable year, and

“(B) if such taxpayer has a taxable excess (as defined in section 55(b)(1)(A)(ii)) for such taxable year, the amount determined under the
first sentence of section 55(b)(1)(A)(i) for such taxable year shall be equal to the excess (if any) of—

“(i) the amount which would be determined under such sentence for such taxable year (subject to the limitation of section 55(b)(3)) if the taxpayer’s taxable excess (as so defined) were increased by the amount excluded under subsection (a) for such taxable year, over

“(ii) the amount which would be determined under such sentence for such taxable year if the taxpayer’s taxable excess (as so defined) were equal to the amount excluded under subsection (a) for such taxable year.

“(2) SPECIAL RULES.—

“(A) REGULAR TAX.—In applying section 1(h) for purposes of determining the tax under paragraph (1)(A)(i) for any taxable year in which, without regard to this subsection, the taxpayer’s net capital gain exceeds taxable income (hereafter in this subparagraph referred to as the capital gain excess)—

“(i) the taxpayer’s net capital gain (determined without regard to section
1(h)(11)) shall be reduced (but not below zero) by such capital gain excess,

“(ii) the taxpayer’s qualified dividend income shall be reduced by so much of such capital gain excess as exceeds the taxpayer’s net capital gain (determined without regard to section 1(h)(11) and the reduction under clause (i)), and

“(iii) adjusted net capital gain, unrecaptured section 1250 gain, and 28-percent rate gain shall each be determined after increasing the amount described in section 1(h)(4)(B) by such capital gain excess.

“(B) ALTERNATIVE MINIMUM TAX.—In applying section 55(b)(3) for purposes of determining the tax under paragraph (1)(B)(i) for any taxable year in which, without regard to this subsection, the taxpayer’s net capital gain exceeds the taxable excess (as defined in section 55(b)(1)(A)(ii))—

“(i) the rules of subparagraph (A) shall apply, except that such subparagraph shall be applied by substituting ‘the taxable
excess (as defined in section 55(b)(1)(A)(ii))’ for ‘taxable income’, and

“(ii) the reference in section 55(b)(3)(B) to the excess described in section 1(h)(1)(B) shall be treated as a reference to such excess as determined under the rules of subparagraph (A) for purposes of determining the tax under paragraph (1)(A)(i).

“(C) DEFINITIONS.—Terms used in this paragraph which are also used in section 1(h) shall have the respective meanings given such terms by section 1(h), except that in applying subparagraph (B) the adjustments under part VI of subchapter A shall be taken into account.”.

(d) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this section shall take effect as if included in the provisions of the Tax Increase Prevention and Reconciliation Act of 2005 to which they relate.

(2) MODIFICATION OF ACTIVE BUSINESS DEFINITION UNDER SECTION 355.—

(A) IN GENERAL.—Except as otherwise provided in this paragraph, the amendments made
by subsection (b) shall apply to distributions made after May 17, 2006.

(B) Transition rule.—The amendments made by subsection (b) shall not apply to any distribution pursuant to a transaction which is—

(i) made pursuant to an agreement which was binding on May 17, 2006, and at all times thereafter,

(ii) described in a ruling request submitted to the Internal Revenue Service on or before such date, or

(iii) described on or before such date in a public announcement or in a filing with the Securities and Exchange Commission.

(C) Election out of transition rule.—
Subparagraph (B) shall not apply if the distributing corporation elects not to have such subparagraph apply to distributions of such corporation. Any such election, once made, shall be irrevocable.

(D) Special rule for certain pre-enactment distributions.—For purposes of determining the continued qualification under section 355(b)(2)(A) of the Internal Revenue Code
of 1986 of distributions made on or before May 17, 2006, as a result of an acquisition, disposition, or other restructuring after such date, such distribution shall be treated as made on the date of such acquisition, disposition, or restructuring for purposes of applying subparagraphs (A) through (C) of this paragraph. The preceding sentence shall only apply with respect to the corporation that undertakes such acquisition, disposition, or other restructuring, and only if such application results in continued qualification under section 355(b)(2)(A) of such Code.

(3) Amendment related to section 515 of the Act.—The amendment made by subsection (c) shall apply to taxable years beginning after December 31, 2006.

SEC. 305. Amendments related to the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users.

(a) Amendments related to section 11113 of the Act.—

(1) Paragraph (3) of section 6427(i) is amended—

(A) by inserting “or under subsection (e)(2) by any person with respect to an alternative fuel
(as defined in section 6426(d)(2))” after “section 6426” in subparagraph (A),

(B) by inserting “or (e)(2)” after “subsection (e)(1)” in subparagraphs (A)(i) and (B), and

(C) by striking “ALCOHOL FUEL AND BIO-DIESEL MIXTURE CREDIT” and inserting “MIXTURE CREDITS AND THE ALTERNATIVE FUEL CREDIT” in the heading thereof.

(2) Subparagraph (F) of section 6426(d)(2) is amended by striking “hydrocarbons” and inserting “fuel”.

(3) Section 6426 is amended by adding at the end the following new subsection:

“(h) DENIAL OF DOUBLE BENEFIT.—No credit shall be determined under subsection (d) or (e) with respect to any fuel with respect to which credit may be determined under subsection (b) or (c) or under section 40 or 40A.”.

(b) EFFECTIVE DATE.—The amendments made by this section shall take effect as if included in the provisions of the SAFETEA–LU to which they relate.
SEC. 306. AMENDMENTS RELATED TO THE ENERGY POLICY ACT OF 2005.

(a) Amendment Related to Section 1306 of the Act.—Paragraph (2) of section 45J(b) is amended to read as follows:

“(2) Amount of National Limitation.—The aggregate amount of national megawatt capacity limitation allocated by the Secretary under paragraph (3) shall not exceed 6,000 megawatts.”.

(b) Amendments Related to Section 1342 of the Act.—

(1) So much of subsection (b) of section 30C as precedes paragraph (1) thereof is amended to read as follows:

“(b) Limitation.—The credit allowed under subsection (a) with respect to all qualified alternative fuel vehicle refueling property placed in service by the taxpayer during the taxable year at a location shall not exceed—”.

(2) Subsection (c) of section 30C is amended to read as follows:

“(c) Qualified Alternative Fuel Vehicle Refueling Property.—For purposes of this section, the term ‘qualified alternative fuel vehicle refueling property’ has the same meaning as the term ‘qualified clean-fuel vehicle refueling property’ would have under section 179A if—
“(1) paragraph (1) of section 179A(d) did not apply to property installed on property which is used as the principal residence (within the meaning of section 121) of the taxpayer, and

“(2) only the following were treated as clean-burning fuels for purposes of section 179A(d):

“(A) Any fuel at least 85 percent of the volume of which consists of one or more of the following: ethanol, natural gas, compressed natural gas, liquified natural gas, liquefied petroleum gas, or hydrogen.

“(B) Any mixture—

“(i) which consists of two or more of the following: biodiesel (as defined in section 40A(d)(1)), diesel fuel (as defined in section 4083(a)(3)), or kerosene, and

“(ii) at least 20 percent of the volume of which consists of biodiesel (as so defined) determined without regard to any kerosene in such mixture.”.

(c) Amendments Related to Section 1351 of the Act.—

(1) Paragraph (3) of section 41(a) is amended by inserting “for energy research” before the period at the end.
(2) Paragraph (6) of section 41(f) is amended by
adding at the end the following new subparagraph:

“(E) ENERGY RESEARCH.—The term ‘en-
ergy research’ does not include any research
which is not qualified research.”.

(d) AMENDMENTS RELATED TO SECTION 1362 OF THE
Act.—

(1)(A) Paragraph (1) of section 4041(d) is
amended by adding at the end the following new sen-
tence: “No tax shall be imposed under the preceding
sentence on the sale or use of any liquid if tax was
imposed with respect to such liquid under section
4081 at the Leaking Underground Storage Tank
Trust Fund financing rate.”.

(B) Paragraph (3) of section 4042(b) is amended
to read as follows:

“(3) EXCEPTION FOR FUEL ON WHICH LEAKING
UNDERGROUND STORAGE TANK TRUST FUND FINAN-
CING RATE SEPARATELY IMPOSED.—The Leaking Un-
derground Storage Tank Trust Fund financing rate
under paragraph (2)(B) shall not apply to the use of
any fuel if tax was imposed with respect to such fuel
under section 4041(d) or 4081 at the Leaking Under-
ground Storage Tank Trust Fund financing rate.”.
(C) Notwithstanding section 6430 of the Internal Revenue Code of 1986, a refund, credit, or payment may be made under subchapter B of chapter 65 of such Code for taxes imposed with respect to any liquid after September 30, 2005, and before the date of the enactment of this Act under section 4041(d)(1) or 4042 of such Code at the Leaking Underground Storage Tank Trust Fund financing rate to the extent that tax was imposed with respect to such liquid under section 4081 at the Leaking Underground Storage Tank Trust Fund financing rate.

(2)(A) Paragraph (5) of section 4041(d) is amended—

(i) by striking “(other than with respect to any sale for export under paragraph (3) thereof)”, and

(ii) by adding at the end the following new sentence: “The preceding sentence shall not apply with respect to subsection (g)(3) and so much of subsection (g)(1) as relates to vessels (within the meaning of section 4221(d)(3)) employed in foreign trade or trade between the United States and any of its possessions.”.

(B) Section 4082 is amended—
(i) by striking “(other than such tax at the Leaking Underground Storage Tank Trust Fund financing rate imposed in all cases other than for export)” in subsection (a), and

(ii) by redesignating subsections (f) and (g) as subsections (g) and (h), respectively, and by inserting after subsection (e) the following new subsection:

“(f) EXCEPTION FOR LEAKING UNDERGROUND STORAGE TANK TRUST FUND FINANCING RATE.—

“(1) IN GENERAL.—Subsection (a) shall not apply to the tax imposed under section 4081 at the Leaking Underground Storage Tank Trust Fund financing rate.

“(2) EXCEPTION FOR EXPORT, ETC.—Paragraph (1) shall not apply with respect to any fuel if the Secretary determines that such fuel is destined for export or for use by the purchaser as supplies for vessels (within the meaning of section 4221(d)(3)) employed in foreign trade or trade between the United States and any of its possessions.”.

(C) Subsection (e) of section 4082 is amended—

(i) by striking “an aircraft, the rate of tax under section 4081(a)(2)(A)(iii) shall be zero.” and inserting “an aircraft—
“(1) the rate of tax under section 4081(a)(2)(A)(iii) shall be zero, and
“(2) if such aircraft is employed in foreign trade or trade between the United States and any of its possessions, the increase in such rate under section 4081(a)(2)(B) shall be zero.”; and
(ii) by moving the last sentence flush with the margin of such subsection (following the paragraph (2) added by clause (i)).

(D) Section 6430 is amended to read as follows:

“SEC. 6430. TREATMENT OF TAX IMPOSED AT LEAKING UNDERGROUND STORAGE TANK TRUST FUND FINANCING RATE.

“No refunds, credits, or payments shall be made under this subchapter for any tax imposed at the Leaking Underground Storage Tank Trust Fund financing rate, except in the case of fuels—

“(1) which are exempt from tax under section 4081(a) by reason of section 4082(f)(2),
“(2) which are exempt from tax under section 4041(d) by reason of the last sentence of paragraph (5) thereof, or
“(3) with respect to which the rate increase under section 4081(a)(2)(B) is zero by reason of section 4082(e)(2).”.
(3) Paragraph (5) of section 4041(d) is amended by inserting “(b)(1)(A),” after “subsections”.

(e) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this section shall take effect as if included in the provisions of the Energy Policy Act of 2005 to which they relate.

(2) NONAPPLICATION OF EXEMPTION FOR OFF-HIGHWAY BUSINESS USE.—The amendment made by subsection (d)(3) shall apply to fuel sold for use or used after the date of the enactment of this Act.

(3) AMENDMENT MADE BY THE SAFETEA–LU.—The amendment made by subsection (d)(2)(C)(ii) shall take effect as if included in section 11161 of the SAFETEA–LU.


(a) AMENDMENTS RELATED TO SECTION 339 OF THE ACT.—

(1)(A) Section 45H is amended by striking subsection (d) and by redesignating subsections (e), (f), and (g) as subsections (d), (e), and (f), respectively.

(B) Subsection (d) of section 280C is amended to read as follows:
“(d) CREDIT FOR LOW SULFUR DIESEL FUEL PRODUCTION.—The deductions otherwise allowed under this chapter for the taxable year shall be reduced by the amount of the credit determined for the taxable year under section 45H(a).”.

(C) Subsection (a) of section 1016 is amended by striking paragraph (31) and by redesignating paragraphs (32) through (37) as paragraphs (31) through (36), respectively.

(2)(A) Section 45H, as amended by paragraph (1), is amended by adding at the end the following new subsection:

“(g) ELECTION TO NOT TAKE CREDIT.—No credit shall be determined under subsection (a) for the taxable year if the taxpayer elects not to have subsection (a) apply to such taxable year.”.

(B) Subsection (m) of section 6501 is amended by inserting “45H(g),” after “45C(d)(4),”.

(3)(A) Subsections (b)(1)(A), (c)(2), (e)(1), and (e)(2) of section 45H (as amended by paragraph (1)) and section 179B(a) are each amended by striking “qualified capital costs” and inserting “qualified costs”.

(B) The heading of paragraph (2) of section 45H(c) is amended by striking “CAPITAL”.

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(C) Subsection (a) of section 179B is amended by inserting “and which are properly chargeable to capital account” before the period at the end.

(b) AMENDMENTS RELATED TO SECTION 710 OF THE ACT.—

(1) Clause (ii) of section 45(c)(3)(A) is amended by striking “which is segregated from other waste materials and”.

(2) Subparagraph (B) of section 45(d)(2) is amended by inserting “and” at the end of clause (i), by striking clause (ii), and by redesignating clause (iii) as clause (ii).

(c) AMENDMENTS RELATED TO SECTION 848 OF THE ACT.—

(1) Paragraph (2) of section 470(c) is amended to read as follows:

“(2) TAX-EXEMPT USE PROPERTY.—

“(A) IN GENERAL.—The term ‘tax-exempt use property’ has the meaning given to such term by section 168(h), except that such section shall be applied—

“(i) without regard to paragraphs (1)(C) and (3) thereof, and

“(ii) as if section 197 intangible property (as defined in section 197), and prop-
erty described in paragraph (1)(B) or (2) of section 167(f), were tangible property.

“(B) Exception for partnerships.—Such term shall not include any property which would (but for this subparagraph) be tax-exempt use property solely by reason of section 168(h)(6).

“(C) Cross reference.—For treatment of partnerships as leases to which section 168(h) applies, see section 7701(e).”.

(2) Subparagraph (A) of section 470(d)(1) is amended by striking “(at any time during the lease term)” and inserting “(at all times during the lease term)”.

(d) Amendments related to section 888 of the act.—

(1) Subparagraph (A) of section 1092(a)(2) is amended by striking “and” at the end of clause (ii), by redesignating clause (iii) as clause (iv), and by inserting after clause (ii) the following new clause:

“(iii) if the application of clause (ii) does not result in an increase in the basis of any offsetting position in the identified straddle, the basis of each of the offsetting
positions in the identified straddle shall be increased in a manner which—

“(I) is reasonable, consistent with the purposes of this paragraph, and consistently applied by the taxpayer, and

“(II) results in an aggregate increase in the basis of such offsetting positions which is equal to the loss described in clause (ii), and”.

(2)(A) Subparagraph (B) of section 1092(a)(2) is amended by adding at the end the following flush sentence:

“A straddle shall be treated as clearly identified for purposes of clause (i) only if such identification includes an identification of the positions in the straddle which are offsetting with respect to other positions in the straddle.”.

(B) Subparagraph (A) of section 1092(a)(2) is amended—

(i) by striking “identified positions” in clause (i) and inserting “positions”,

(ii) by striking “identified position” in clause (ii) and inserting “position”, and
(iii) by striking “identified offsetting positions” in clause (ii) and inserting “offsetting positions”.

(C) Subparagraph (B) of section 1092(a)(3) is amended by striking “identified offsetting position” and inserting “offsetting position”.

(3) Paragraph (2) of section 1092(a) is amended by redesignating subparagraph (C) as subparagraph (D) and inserting after subparagraph (B) the following new subparagraph:

“(C) APPLICATION TO LIABILITIES AND OBLIGATIONS.—Except as otherwise provided by the Secretary, rules similar to the rules of clauses (ii) and (iii) of subparagraph (A) shall apply for purposes of this paragraph with respect to any position which is, or has been, a liability or obligation.”.

(4) Subparagraph (D) of section 1092(a)(2), as redesignated by paragraph (3), is amended by inserting “the rules for the application of this section to a position which is or has been a liability or obligation, methods of loss allocation which satisfy the requirements of subparagraph (A)(iii),” before “and the ordering rules”.

(e) EFFECTIVE DATE.—
(1) In general.—Except as otherwise provided in this subsection, the amendments made by this section shall take effect as if included in the provisions of the American Jobs Creation Act of 2004 to which they relate.

(2) Identification requirement of amendment related to section 888 of the American Jobs Creation Act of 2004.—The amendment made by subsection (d)(2)(A) shall apply to straddles acquired after the date of the enactment of this Act.

SEC. 308. AMENDMENTS RELATED TO THE ECONOMIC GROWTH AND TAX RELIEF RECONCILIATION ACT OF 2001.

(a) Amendments Related to Section 617 of the Act.—

(1) Subclause (II) of section 402(g)(7)(A)(ii) is amended by striking “for prior taxable years” and inserting “permitted for prior taxable years by reason of this paragraph”.

(2) Subparagraph (A) of section 3121(v)(1) is amended by inserting “or consisting of designated Roth contributions (as defined in section 402A(c))” before the comma at the end.

(b) Effective Date.—The amendments made by this section shall take effect as if included in the provisions of
the Economic Growth and Tax Relief Reconciliation Act of 2001 to which they relate.

SEC. 309. AMENDMENTS RELATED TO THE TAX RELIEF EXTENSION ACT OF 1999.

(a) Amendment Related to Section 507 of the Act.—Clause (i) of section 45(e)(7)(A) is amended by striking “placed in service by the taxpayer” and inserting “originally placed in service”.

(b) Amendment Related to Section 542 of the Act.—Clause (ii) of section 856(d)(9)(D) is amended to read as follows:

“(ii) LODGING FACILITY.—The term ‘lodging facility’ means a—

“(I) hotel,

“(II) motel, or

“(III) other establishment more than one-half of the dwelling units in which are used on a transient basis.”.

(c) Effective Date.—The amendments made by this section shall take effect as if included in the provisions of the Tax Relief Extension Act of 1999 to which they relate.

(a) Amendment Related to Section 3509 of the Act.—Paragraph (3) of section 6110(i) is amended by inserting “and related background file documents” after “Chief Counsel advice” in the matter preceding subparagraph (A).

(b) Effective Date.—The amendment made by this section shall take effect as if included in the provision of the Internal Revenue Service Restructuring and Reform Act of 1998 to which it relates.

SEC. 311. CLERICAL CORRECTIONS.

(a) In General.—

(1) Paragraph (5) of section 21(e) is amended by striking “section 152(e)(3)(A)” in the flush matter after subparagraph (B) and inserting “section 152(e)(4)(A)”.

(2) Paragraph (3) of section 25C(c) is amended by striking “section 3280” and inserting “part 3280”.

(3) Paragraph (2) of section 26(b) is amended by redesignating subparagraphs (8) and (T) as subparagraphs (U) and (V), respectively, and by inserting after subparagraph (R) the following new subparagraphs:
“(S) sections 106(e)(3)(A)(ii), 223(b)(8)(B)(i)(II), and 408(d)(9)(D)(i)(II) (relating to certain failures to maintain high deductible health plan coverage),

“(T) section 170(o)(3)(B) (relating to recapture of certain deductions for fractional gifts),”.

(4) Subsection (a) of section 34 is amended—

(A) in paragraph (1), by striking “with respect to gasoline used during the taxable year on a farm for farming purposes”,

(B) in paragraph (2), by striking “with respect to gasoline used during the taxable year (A) otherwise than as a fuel in a highway vehicle or (B) in vehicles while engaged in furnishing certain public passenger land transportation service”, and

(C) in paragraph (3), by striking “with respect to fuels used for nontaxable purposes or resold during the taxable year”.

(5) Paragraph (2) of section 35(d) is amended—

(A) by striking “paragraph (2) or (4) of”, and

(B) by striking “(within the meaning of section 152(e)(1))” and inserting “(as defined in section 152(e)(4)(A))”.

† HR 3997 EAS2
(6) Subsection (b) of section 38 is amended—

   (A) by striking “and” each place it appears
   at the end of any paragraph,

   (B) by striking “plus” each place it appears
   at the end of any paragraph, and

   (C) by inserting “plus” at the end of para-
   graph (30).

(7) Paragraphs (2) and (3) of section 45L(c) are
each amended by striking “section 3280” and insert-
ing “part 3280”.

(8) Subsection (c) of section 48 is amended by
striking “subsection” in the text preceding paragraph
(1) and inserting “section”.

(9) Paragraphs (1)(B) and (2)(B) of section
48(c) are each amended by striking “paragraph (1)”
and inserting “subsection (a)”.

(10) Clause (ii) of section 48A(d)(4)(B) is
amended by striking “subsection” both places it ap-
pears.

(11) The last sentence of section 125(b)(2) is
amended by striking “last sentence” and inserting
“second sentence”.

(12) Subclause (II) of section 167(g)(8)(C)(ii) is
amended by striking “section 263A(j)(2)” and insert-
ing “section 263A(i)(2)”.
(13)(A) Clause (vii) of section 170(b)(1)(A) is amended by striking “subparagraph (E)” and inserting “subparagraph (F)”.

(B) Clause (ii) of section 170(e)(1)(B) is amended by striking “subsection (b)(1)(E)” and inserting “subsection (b)(1)(F)”.

(C) Clause (i) of section 1400S(a)(2)(A) is amended by striking “subparagraph (F)” and inserting “subparagraph (G)”.

(D) Subparagraph (A) of section 4942(i)(1) is amended by striking “section 170(b)(1)(E)(ii)” and inserting “section 170(b)(1)(F)(ii)”.

(14) Subclause (II) of section 170(e)(1)(B)(i) is amended by inserting “but without regard to clause (ii) thereof” after “paragraph (7)(C)”.

(15)(A) Subparagraph (A) of section 170(o)(1) and subparagraph (A) of section 2522(e)(1) are each amended by striking “all interest in the property is” and inserting “all interests in the property are”.

(B) Section 170(o)(3)(A)(i), and section 2522(e)(2)(A)(i) (as redesignated by section 403(d)(2)), are each amended—

(i) by striking “interest” and inserting “interests”, and
(ii) by striking “before” and inserting “on or before”.

(16)(A) Subparagraph (C) of section 852(b)(4) is amended to read as follows:

“(C) DETERMINATION OF HOLDING PERIODS.—For purposes of this paragraph, in determining the period for which the taxpayer has held any share of stock—

“(i) the rules of paragraphs (3) and (4) of section 246(c) shall apply, and

“(ii) there shall not be taken into account any day which is more than 6 months after the date on which such share becomes ex-dividend.”.

(B) Subparagraph (B) of section 857(b)(8) is amended to read as follows:

“(B) DETERMINATION OF HOLDING PERIODS.—For purposes of this paragraph, in determining the period for which the taxpayer has held any share of stock or beneficial interest—

“(i) the rules of paragraphs (3) and (4) of section 246(c) shall apply, and

“(ii) there shall not be taken into account any day which is more than 6
months after the date on which such share or interest becomes ex-dividend.”.

(17) Paragraph (2) of section 856(l) is amended by striking the last sentence and inserting the following: “For purposes of subparagraph (B), securities described in subsection (m)(2)(A) shall not be taken into account.”.

(18) Subparagraph (F) of section 954(c)(1) is amended to read as follows:

“(F) INCOME FROM NOTIONAL PRINCIPAL CONTRACTS.—

“(i) In general.—Net income from notional principal contracts.

“(ii) Coordination with other categories of foreign personal holding company income.—Any item of income, gain, deduction, or loss from a notional principal contract entered into for purposes of hedging any item described in any preceding subparagraph shall not be taken into account for purposes of this subparagraph but shall be taken into account under such other subparagraph.”.
(19) Paragraph (1) of section 954(c) is amended by redesignating subparagraph (I) as subparagraph (H).

(20) Paragraph (33) of section 1016(a), as redesignated by section 407(a)(1)(C), is amended by striking “section 25C(e)” and inserting “section 25C(f)”.

(21) Paragraph (36) of section 1016(a), as redesignated by section 407(a)(1)(C), is amended by striking “section 30C(f)” and inserting “section 30C(e)(1)”.

(22) Subparagraph (G) of section 1260(c)(2) is amended by adding “and” at the end.

(23)(A) Section 1297 is amended by striking subsection (d) and by redesignating subsections (e) and (f) as subsections (d) and (e), respectively.

(B) Subparagraph (G) of section 1260(c)(2) is amended by striking “subsection (e)” and inserting “subsection (d)”.

(C) Subparagraph (B) of section 1298(a)(2) is amended by striking “Section 1297(e)” and inserting “Section 1297(d)”.

(24) Paragraph (1) of section 1362(f) is amended—
(A) by striking “, section 1361(b)(3)(B)(ii),
or section 1361(c)(1)(A)(ii)” and inserting “or
section 1361(b)(3)(B)(ii)”, and

(B) by striking “, section 1361(b)(3)(C), or
section 1361(c)(1)(D)(iii)” in subparagraph (B)
and inserting “or section 1361(b)(3)(C)”.

(25) Paragraph (2) of section 1400O is amended
by striking “under of” and inserting “under”.

(26) The table of sections for part II of sub-
chapter Y of chapter 1 is amended by adding at the
end the following new item:

“Sec. 1400T. Special rules for mortgage revenue bonds.”.

(27) Subsection (b) of section 4082 is amended
to read as follows:

“(b) NONTAXABLE USE.—For purposes of this section,
the term ‘nontaxable use’ means—

“(1) any use which is exempt from the tax im-
posed by section 4041(a)(1) other than by reason of
a prior imposition of tax,

“(2) any use in a train, and

“(3) any use described in section
4041(a)(1)(C)(iii)(II).

The term ‘nontaxable use’ does not include the use of ker-
osene in an aircraft and such term shall not include any
use described in section 6421(e)(2)(C).”.

† HR 3997 EAS2
(28) Paragraph (4) of section 4101(a) (relating to registration in event of change of ownership) is redesignated as paragraph (5).

(29) Paragraph (6) of section 4965(c) is amended by striking “section 4457(e)(1)(A)” and inserting “section 457(e)(1)(A)”.

(30) Subpart C of part II of subchapter A of chapter 51 is amended by redesignating section 5432 (relating to recordkeeping by wholesale dealers) as section 5121.

(31) Paragraph (2) of section 5732(c), as redesignated by section 11125(b)(20)(A) of the SAFETEA–LU, is amended by striking “this subpart” and inserting “this subchapter”.

(32) Subsection (b) of section 6046 is amended—

(A) by striking “subsection (a)(1)” and inserting “subsection (a)(1)(A)”, and

(B) by striking “paragraph (2) or (3) of subsection (a)” and inserting “subparagraph (B) or (C) of subsection (a)(1)”.

(33)(A) Subparagraph (A) of section 6103(b)(5) is amended by striking “the Canal Zone,”.

(B) Section 7651 is amended by striking paragraph (4) and by redesignating paragraph (5) as paragraph (4).
(34) Subparagraph (A) of section 6211(b)(4) is amended by striking “and 34” and inserting “34, and 35”.

(35) Subparagraphs (A) and (B) of section 6230(a)(3) are each amended by striking “section 6013(c)” and inserting “section 6015”.

(36) Paragraph (3) of section 6427(e) (relating to termination), as added by section 11113 of the SAFETEA–LU, is redesignated as paragraph (5) and moved after paragraph (4).

(37) Clause (ii) of section 6427(l)(4)(A) is amended by striking “section 4081(a)(2)(iii)” and inserting “section 4081(a)(2)(A)(iii)”.

(38) (A) Section 6427, as amended by section 1343(b)(1) of the Energy Policy Act of 2005, is amended by striking subsection (p) (relating to gasohol used in noncommercial aviation) and redesignating subsection (q) as subsection (p).

(B) The Internal Revenue Code of 1986 shall be applied and administered as if the amendments made by paragraph (2) of section 11151(a) of the SAFETEA–LU had never been enacted.

(39) Subsection (a) of section 6695A is amended by striking “then such person” in paragraph (2) and inserting the following:
“then such person”.

(40) Subparagraph (C) of section 6707A(e)(2) is amended by striking “section 6662A(e)(2)(C)” and inserting “section 6662A(e)(2)(B)”.

(41) (A) Paragraph (3) of section 9002 is amended by striking “section 309(a)(1)” and inserting “section 306(a)(1)”.

(B) Paragraph (1) of section 9004(a) is amended by striking “section 320(b)(1)(B)” and inserting “section 315(b)(1)(B)”.

(C) Paragraph (3) of section 9032 is amended by striking “section 309(a)(1)” and inserting “section 306(a)(1)”.

(D) Subsection (b) of section 9034 is amended by striking “section 320(b)(1)(A)” and inserting “section 315(b)(1)(A)”.

(42) Section 9006 is amended by striking “Comptroller General” each place it appears and inserting “Commission”.

(43) Subsection (c) of section 9503 is amended by redesignating paragraph (7) (relating to transfers from the trust fund for certain aviation fuels taxes) as paragraph (6).

(44) Paragraph (1) of section 1301(g) of the Energy Policy Act of 2005 is amended by striking “shall
take effect of the date of the enactment” and inserting “shall take effect on the date of the enactment”.

(45) The Internal Revenue Code of 1986 shall be applied and administered as if the amendments made by section 1(a) of Public Law 109–433 had never been enacted.

(b) Clerical Amendments Related to the Tax Relief and Health Care Act of 2006.—

(1) Amendment Related to Section 209 of Division A of the Act.—Paragraph (3) of section 168(l) is amended by striking “enzymatic”.

(2) Amendments Related to Section 419 of Division A of the Act.—

(A) Clause (iv) of section 6724(d)(1)(B) is amended by inserting “or (h)(1)” after “section 6050H(a)”.

(B) Subparagraph (K) of section 6724(d)(2) is amended by inserting “or (h)(2)” after “section 6050H(d)”.

(3) Effective Date.—The amendments made by this subsection shall take effect as if included in the provision of the Tax Relief and Health Care Act of 2006 to which they relate.

(c) Clerical Amendments Related to the Gulf Opportunity Zone Act of 2005.—

† HR 3997 EAS2
(1) Amendments related to section 402 of the act.—Subparagraph (B) of section 24(d)(1) is amended—

(A) by striking “the excess (if any) of” in the matter preceding clause (i) and inserting “the greater of”, and

(B) by striking “section” in clause (ii)(II) and inserting “section 32”.

(2) Effective date.—The amendments made by this subsection shall take effect as if included in the provisions of the Gulf Opportunity Zone Act of 2005 to which they relate.

(d) Clerical amendments related to the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users.—

(1) Amendments related to section 11163 of the act.—Subparagraph (C) of section 6416(a)(4) is amended—

(A) by striking “ultimate vendor” and all that follows through “has certified” and inserting “ultimate vendor or credit card issuer has certified”, and

(B) by striking “all ultimate purchasers of the vendor” and all that follows through “are
certified” and inserting “all ultimate purchasers of the vendor or credit card issuer are certified”.

(2) Effective Date.—The amendments made by this subsection shall take effect as if included in the provisions of the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users to which they relate.

(e) Clerical Amendments Related to the Energy Policy Act of 2005.—

(1) Amendment Related to Section 1344 of the Act.—Subparagraph (B) of section 6427(e)(5), as redesignated by subsection (a)(36), is amended by striking “2006” and inserting “2008”.

(2) Amendments Related to Section 1351 of the Act.—Subparagraphs (A)(ii) and (B)(ii) of section 41(f)(1) are each amended by striking “qualified research expenses and basic research payments” and inserting “qualified research expenses, basic research payments, and amounts paid or incurred to energy research consortions, ”.

(3) Effective Date.—The amendments made by this subsection shall take effect as if included in the provisions of the Energy Policy Act of 2005 to which they relate.
(f) **Clerical Amendments Related to the American Jobs Creation Act of 2004.**—

(1) **Amendment related to section 301 of the Act.**—Section 9502 is amended by striking subsection (e) and redesignating subsection (f) as subsection (e).

(2) **Amendment related to section 413 of the Act.**—Subsection (b) of section 1298 is amended by striking paragraph (7) and by redesignating paragraphs (8) and (9) as paragraphs (7) and (8), respectively.

(3) **Amendment related to section 895 of the Act.**—Clause (iv) of section 904(f)(3)(D) is amended by striking “a controlled group” and inserting “an affiliated group”.

(4) **Effective date.**—The amendments made by this subsection shall take effect as if included in the provisions of the American Jobs Creation Act of 2004 to which they relate.

(g) **Clerical Amendments Related to the FSC Repeal and Extraterritorial Income Exclusion Act of 2000.**—

(1) Subclause (I) of section 56(g)(4)(C)(ii) is amended by striking “921” and inserting “921 (as in
effect before its repeal by the FSC Repeal and Extraterritorial Income Exclusion Act of 2000)."

(2) Clause (iv) of section 54(g)(4)(C) is amended by striking “a cooperative described in section 927(a)(4)” and inserting “an organization to which part I of subchapter T (relating to tax treatment of cooperatives) applies which is engaged in the marketing of agricultural or horticultural products”.

(3) Paragraph (4) of section 245(c) is amended by adding at the end the following new subparagraph:

“(C) FSC.—The term ‘FSC’ has the meaning given such term by section 922.”.

(4) Subsection (c) of section 245 is amended by inserting at the end the following new paragraph:

“(5) REFERENCES TO PRIOR LAW.—Any reference in this subsection to section 922, 923, or 927 shall be treated as a reference to such section as in effect before its repeal by the FSC Repeal and Extraterritorial Income Exclusion Act of 2000.”.

(5) Paragraph (4) of section 275(a) is amended by striking “if” and all that follows and inserting “if the taxpayer chooses to take to any extent the benefits of section 901.”.
(6)(A) Subsection (a) of section 291 is amended by striking paragraph (4) and by redesignating paragraph (5) as paragraph (4).

(B) Paragraph (1) of section 291(c) is amended by striking “subsection (a)(5)” and inserting “subsection (a)(4)”.

(7)(A) Paragraph (4) of section 441(b) is amended by striking “FSC or”.

(B) Subsection (h) of section 441 is amended—

(i) by striking “FSC or” each place it appears, and

(ii) by striking “FSC’S AND” in the heading thereof.

(8) Subparagraph (B) of section 884(d)(2) is amended by inserting before the comma “(as in effect before their repeal by the FSC Repeal and Extraterritorial Income Exclusion Act of 2000)”.

(9) Section 901 is amended by striking subsection (h).

(10) Clause (v) of section 904(d)(2)(B) is amended—

(A) by inserting “and” at the end of subclause (I), by striking subclause (II), and by redesignating subclause (III) as subclause (II),
(B) by striking “a FSC (or a former FSC)” in subclause (II) (as so redesignated) and inserting “a former FSC (as defined in section 922), and

(C) by adding at the end the following:

“Any reference in subclause (II) to section 922, 923, or 927 shall be treated as a reference to such section as in effect before its repeal by the FSC Repeal and Extraterritorial Income Exclusion Act of 2000.”.

(11) Subsection (b) of section 906 is amended by striking paragraph (5) and redesignating paragraphs (6) and (7) as paragraphs (5) and (6), respectively.

(12) Subparagraph (B) of section 936(f)(2) is amended by striking “FSC or”.

(13) Section 951 is amended by striking subsection (c) and by redesignating subsection (d) as subsection (c).

(14) Subsection (b) of section 952 is amended by striking the second sentence.

(15)(A) Paragraph (2) of section 956(c) is amended—
(i) by striking subparagraph (I) and by redesignating subparagraphs (J) through (M) as subparagraphs (I) through (L), respectively, and
(ii) by striking “subparagraphs (J), (K), and (L)” in the flush sentence at the end and inserting “subparagraphs (I), (J), and (K)”.

(B) Clause (ii) of section 954(c)(2)(C) is amended by striking “section 956(c)(2)(J)” and inserting “section 956(c)(2)(I)”.

(16) Paragraph (1) of section 992(a) is amended by striking subparagraph (E), by inserting “and” at the end of subparagraph (C), and by striking “; and” at the end of subparagraph (D) and inserting a period.

(17) Paragraph (5) of section 1248(d) is amended—

(A) by inserting “(as defined in section 922)” after “a FSC”, and

(B) by adding at the end the following new sentence: “Any reference in this paragraph to section 922, 923, or 927 shall be treated as a reference to such section as in effect before its repeal by the FSC Repeal and Extraterritorial Income Exclusion Act of 2000.”.
(18) Subparagraph (D) of section 1297(b)(2) is amended by striking “foreign trade income of a FSC or”.

(19)(A) Paragraph (1) of section 6011(c) is amended by striking “or former DISC or a FSC or former FSC” and inserting “, former DISC, or former FSC (as defined in section 922 as in effect before its repeal by the FSC Repeal and Extraterritorial Income Exclusion Act of 2000)”.

(B) Subsection (c) of section 6011 is amended by striking “AND FSC’s” in the heading thereof.

(20) Subsection (c) of section 6072 is amended by striking “a FSC or former FSC” and inserting “a former FSC (as defined in section 922 as in effect before its repeal by the FSC Repeal and Extraterritorial Income Exclusion Act of 2000)”.

(21) Section 6686 is amended by inserting “FORMER” before “FSC” in the heading thereof.

**TITLE IV—PARITY IN APPLICATION OF CERTAIN LIMITS TO MENTAL HEALTH BENEFITS**

**SEC. 401. PARITY IN APPLICATION OF CERTAIN LIMITS TO MENTAL HEALTH BENEFITS.**

(a) Amendment to the Internal Revenue Code of 1986.—Section 9812(f)(3) of the Internal Revenue Code
of 1986 is amended by striking “2007” and inserting “2008”.


(c) Amendment to the Public Health Service Act.—Section 2705(f) of the Public Health Service Act (42 U.S.C. 300gg–5(f)) is amended by striking “2007” and inserting “2008”.

(d) Effective Date.—The amendments made by this section shall apply to benefits for services furnished after December 31, 2007.

Attest:

Secretary.