To amend the Internal Revenue Code of 1986 to extend certain expiring provisions, and for other purposes.

IN THE SENATE OF THE UNITED STATES

Mr. BAUCUS (for himself and Mr. REID) introduced the following bill; which was read twice and referred to the Committee on

A BILL

To amend the Internal Revenue Code of 1986 to extend certain expiring provisions, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE, ETC.

(a) Short Title.—This Act may be cited as the “Jobs, Energy, Families, and Disaster Relief Act of 2008”.

(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 consid-
1 credited to be made to a section or other provision of the In-
3
4 (c) Table of Contents.—The table of contents for
5 this Act is as follows:

Sec. 1. Short title, etc.

TITLE I—ENERGY TAX INCENTIVES

Subtitle A—Energy Production Incentives

PART I—RENEWABLE ENERGY INCENTIVES

Sec. 101. Renewable energy credit.
Sec. 102. Production credit for electricity produced from marine renewables.
Sec. 103. Energy credit.
Sec. 104. Credit for residential energy efficient property.
Sec. 105. Special rule to implement FERC and State electric restructuring pol-
1icy.
Sec. 106. New clean renewable energy bonds.

PART II—CARBON MITIGATION PROVISIONS

Sec. 111. Expansion and modification of advanced coal project investment cred-
it.
Sec. 112. Expansion and modification of coal gasification investment credit.
Sec. 113. Temporary increase in coal excise tax.
Sec. 114. Special rules for refund of the coal excise tax to certain coal pro-
ducers and exporters.
Sec. 115. Carbon audit of the tax code.


Sec. 121. Inclusion of cellulosic biofuel in bonus depreciation for biomass eth-
anol plant property.
Sec. 122. Credits for biodiesel and renewable diesel.
Sec. 123. Clarification that credits for fuel are designed to provide an incentive
for United States production.
Sec. 124. Credit for new qualified plug-in electric drive motor vehicles.
Sec. 125. Exclusion from heavy truck tax for idling reduction units and ad-
vanced insulation.
Sec. 126. Transportation fringe benefit to bicycle commuters.
Sec. 127. Alternative fuel vehicle refueling property credit.
Sec. 128. Certain income and gains relating to alcohol fuels and mixtures, bio-
diesel fuels and mixtures, and alternative fuels and mixtures
1 treated as qualifying income for publicly traded partnerships.


Sec. 141. Qualified energy conservation bonds.
Sec. 142. Credit for nonbusiness energy property.
Sec. 143. Energy efficient commercial buildings deduction.
Sec. 144. Modifications of energy efficient appliance credit for appliances pro-
duced after 2007.
Sec. 145. Accelerated recovery period for depreciation of smart meters and smart grid systems.
Sec. 146. Qualified green building and sustainable design projects.
Sec. 147. Special depreciation allowance for certain reuse and recycling property.

TITLE II—ONE-YEAR EXTENSION OF TEMPORARY PROVISIONS

Subtitle A—Alternative Minimum Tax

Sec. 201. Extension of alternative minimum tax relief for nonrefundable personal credits.
Sec. 202. Extension of increased alternative minimum tax exemption amount.
Sec. 203. Increase of AMT refundable credit amount for individuals with long-term unused credits for prior year minimum tax liability, etc.

Subtitle B—Extensions Primarily Affecting Individuals

Sec. 211. Deduction for State and local sales taxes.
Sec. 212. Deduction of qualified tuition and related expenses.
Sec. 213. Treatment of certain dividends of regulated investment companies.
Sec. 214. Tax-free distributions from individual retirement plans for charitable purposes.
Sec. 215. Deduction for certain expenses of elementary and secondary school teachers.
Sec. 216. Stock in RIC for purposes of determining estates of nonresidents not citizens.
Sec. 217. Qualified investment entities.
Sec. 218. Exclusion of amounts received under qualified group legal services plans.

Subtitle C—Extensions Primarily Affecting Businesses

Sec. 221. Extension and modification of research credit.
Sec. 222. Indian employment credit.
Sec. 223. Extension and modification of new markets tax credit.
Sec. 224. Railroad track maintenance.
Sec. 225. Extension of mine rescue team training credit.
Sec. 226. Extension of 15-year straight-line cost recovery for qualified leasehold improvements and qualified restaurant improvements; 15-year straight-line cost recovery for certain improvements to retail space.
Sec. 227. Seven-year cost recovery period for motorsports racing track facility.
Sec. 228. Accelerated depreciation for business property on Indian reservation.
Sec. 229. Extension of election to expense advanced mine safety equipment.
Sec. 230. Expensing of environmental remediation costs.
Sec. 231. Deduction allowable with respect to income attributable to domestic production activities in Puerto Rico.
Sec. 232. Modification of tax treatment of certain payments to controlling exempt organizations.
Sec. 233. Qualified zone academy bonds.
Sec. 234. Tax incentives for investment in the District of Columbia.
Sec. 235. Economic development credit for American Samoa.
Sec. 236. Extension and expansion of charitable deduction for contributions of food inventory.
Sec. 238. Enhanced deduction for qualified computer contributions.
Sec. 239. Basis adjustment to stock of S corporations making charitable contributions of property.
Sec. 240. Work opportunity tax credit for Hurricane Katrina employees.
Sec. 241. Subpart F exception for active financing income.
Sec. 242. Look-thru rule for related controlled foreign corporations.
Sec. 243. Expensing for certain qualified film and television productions.
Sec. 244. Extension and modification of duty suspension on wool products; wool research fund; wool duty refunds.

Subtitle D—Other Extensions
Sec. 251. Authority to disclose information related to terrorist activities made permanent.
Sec. 252. Authority for undercover operations made permanent.
Sec. 253. Increase in limit on cover over of rum excise tax to Puerto Rico and the Virgin Islands.

TITLE III—ADDITIONAL RELIEF

Subtitle A—Individual Tax Relief
Sec. 301. $8,500 income threshold used to calculate refundable portion of child tax credit.
Sec. 302. Income averaging for amounts received in connection with the Exxon Valdez litigation.

Subtitle B—Business Related Provisions
Sec. 311. Provisions related to film and television productions.
Sec. 312. Modification of rate of excise tax on certain wooden arrows designed for use by children.
Sec. 313. Mental health parity.

Subtitle C—Modification of Penalty on Understatement of Taxpayer’s Liability by Tax Return Preparer
Sec. 321. Modification of penalty on understatement of taxpayer’s liability by tax return preparer.

Subtitle D—Other Provisions
Sec. 331. Secure rural schools and community self-determination program.
Sec. 332. Clarification of uniform definition of child.

TITLE IV—TRANSPORTATION AND INFRASTRUCTURE
Sec. 401. Restoration of Highway Trust Fund balance.

TITLE V—DISASTER RELIEF
Subtitle A—Relief for Federally Declared Disasters
Sec. 501. Losses attributable to federally declared disasters.
Sec. 502. Expensing of Qualified Disaster Expenses.
Sec. 503. Net operating losses attributable to federally declared disasters.
Sec. 504. Waiver of certain mortgage revenue bond requirements following federally declared disasters.
Sec. 505. Other relief for federally declared disasters.
Sec. 506. Sunset.

Subtitle B—Other Disaster Relief Provisions

Sec. 511. Restructuring of New York Liberty Zone tax credits.
Sec. 512. Reporting requirements relating to disaster relief contributions.

TITLE VI—REVENUE PROVISIONS

Sec. 601. Nonqualified deferred compensation from certain tax indifferent parties.
Sec. 602. Delay in application of worldwide allocation of interest.
Sec. 603. Broker reporting of customer’s basis in securities transactions.
Sec. 604. Time for payment of corporate estimated taxes.

TITLE I—ENERGY TAX INCENTIVES

Subtitle A—Energy Production Incentives

PART I—RENEWABLE ENERGY INCENTIVES

SEC. 101. RENEWABLE ENERGY CREDIT.

(a) Extension of Credit.—

(1) 1-Year Extension for Wind Facilities.—Paragraph (1) of section 45(d) is amended by striking “January 1, 2009” and inserting “January 1, 2010”.

(2) 3-Year Extension for Certain Other Facilities.—Each of the following provisions of section 45(d) is amended by striking “January 1, 2009” and inserting “January 1, 2012”:

(A) Clauses (i) and (ii) of paragraph (2)(A).

(B) Clauses (i)(I) and (ii) of paragraph (3)(A).
(b) Modification of Credit Phaseout.—

(1) Repeal of Phaseout.—Subsection (b) of section 45 is amended—

(A) by striking paragraph (1), and

(B) by striking “the 8 cent amount in paragraph (1),” in paragraph (2) thereof.

(2) Limitation Based on Investment in Facility.—Subsection (b) of section 45 is amended by inserting before paragraph (2) the following new paragraph:

“(1) Limitation Based on Investment in Facility.—

“(A) In General.—In the case of any qualified facility originally placed in service after December 31, 2009, the amount of the credit determined under subsection (a) for any taxable year with respect to electricity produced at such facility shall not exceed the product of—
“(i) the applicable percentage with respect to such facility, multiplied by

“(ii) the eligible basis of such facility.

“(B) Carryforward of unused limitation and excess credit.—

“(i) Unused limitation.—If the limitation imposed under subparagraph (A) with respect to any facility for any taxable year exceeds the prelimitation credit for such facility for such taxable year, the limitation imposed under subparagraph (A) with respect to such facility for the succeeding taxable year shall be increased by the amount of such excess.

“(ii) Excess credit.—If the prelimitation credit with respect to any facility for any taxable year exceeds the limitation imposed under subparagraph (A) with respect to such facility for such taxable year, the credit determined under subsection (a) with respect to such facility for the succeeding taxable year (determined before the application of subparagraph (A) for such succeeding taxable year) shall be increased by the amount of such excess.
With respect to any facility, no amount may be carried forward under this clause to any taxable year beginning after the 10-year period described in subsection (a)(2)(A)(ii) with respect to such facility.

“(iii) Prelimitation credit.—The term ‘prelimitation credit’ with respect to any facility for a taxable year means the credit determined under subsection (a) with respect to such facility for such taxable year, determined without regard to subparagraph (A) and after taking into account any increase for such taxable year under clause (ii).

“(C) Applicable percentage.—For purposes of this paragraph—

“(i) In general.—The term ‘applicable percentage’ means, with respect to any facility, the appropriate percentage prescribed by the Secretary for the month in which such facility is originally placed in service.

“(ii) Method of prescribing applicable percentages.—The applicable percentages prescribed by the Secretary for
any month under clause (i) shall be percentages which yield over a 10-year period amounts of limitation under subparagraph (A) which have a present value equal to 35 percent of the eligible basis of the facility.

“(iii) METHOD OF DISCOUNTING.—
The present value under clause (ii) shall be determined—

“(I) as of the last day of the 1st year of the 10-year period referred to in clause (ii),

“(II) by using a discount rate equal to the greater of 110 percent of the Federal long-term rate as in effect under section 1274(d) for the month preceding the month for which the applicable percentage is being prescribed, or 4.5 percent, and

“(III) by taking into account the limitation under subparagraph (A) for any year on the last day of such year.

“(D) ELIGIBLE BASIS.—For purposes of this paragraph—
“(i) IN GENERAL.—The term ‘eligible basis’ means, with respect to any facility, the sum of—

“(I) the basis of such facility determined as of the time that such facility is originally placed in service, and

“(II) the portion of the basis of any shared qualified property which is properly allocable to such facility under clause (ii).

“(ii) RULES FOR ALLOCATION.—For purposes of subclause (II) of clause (i), the basis of shared qualified property shall be allocated among all qualified facilities which are projected to be placed in service and which require utilization of such property in proportion to projected generation from such facilities.

“(iii) SHARED QUALIFIED PROPERTY.—For purposes of this paragraph, the term ‘shared qualified property’ means, with respect to any facility, any property described in section 168(e)(3)(B)(vi)—
“(I) which a qualified facility will require for utilization of such facility, and
“(II) which is not a qualified facility.
“(iv) Special rule relating to geothermal facilities.—In the case of any qualified facility using geothermal energy to produce electricity, the basis of such facility for purposes of this paragraph shall be determined as though intangible drilling and development costs described in section 263(c) were capitalized rather than expensed.
“(E) Special rule for first and last year of credit period.—In the case of any taxable year any portion of which is not within the 10-year period described in subsection (a)(2)(A)(ii) with respect to any facility, the amount of the limitation under subparagraph (A) with respect to such facility shall be reduced by an amount which bears the same ratio to the amount of such limitation (determined without regard to this subparagraph) as such
portion of the taxable year which is not within such period bears to the entire taxable year.

“(F) ELECTION TO TREAT ALL FACILITIES PLACED IN SERVICE IN A YEAR AS 1 FACILITY.—At the election of the taxpayer, all qualified facilities which are part of the same project and which are placed in service during the same calendar year shall be treated for purposes of this section as 1 facility which is placed in service at the mid-point of such year or the first day of the following calendar year.”.

(c) TRASH FACILITY CLARIFICATION.—Paragraph (7) of section 45(d) is amended—

(1) by striking “facility which burns” and inserting “facility (other than a facility described in paragraph (6)) which uses”, and

(2) by striking “COMBUSTION”.

(d) EXPANSION OF BIOMASS FACILITIES.—

(1) OPEN-LOOP BIOMASS FACILITIES.—Paragraph (3) of section 45(d) is amended by redesignating subparagraph (B) as subparagraph (C) and by inserting after subparagraph (A) the following new subparagraph:

“(B) EXPANSION OF FACILITY.—Such term shall include a new unit placed in service
after the date of the enactment of this subpara-
graph in connection with a facility described in
subparagraph (A), but only to the extent of the
increased amount of electricity produced at the
facility by reason of such new unit.”.

(2) CLOSED-LOOP BIOMASS FACILITIES.—Para-
graph (2) of section 45(d) is amended by redesig-
nating subparagraph (B) as subparagraph (C) and
inserting after subparagraph (A) the following new
subparagraph:

“(B) EXPANSION OF FACILITY.—Such
term shall include a new unit placed in service
after the date of the enactment of this subpara-
graph in connection with a facility described in
subparagraph (A)(i), but only to the extent of
the increased amount of electricity produced at
the facility by reason of such new unit.”.

(e) SALES OF NET ELECTRICITY TO REGULATED
PUBLIC UTILITIES TREATED AS SALES TO UNRELATED
PERSONS.—Paragraph (4) of section 45(e) is amended by
adding at the end the following new sentence: “The net
amount of electricity sold by any taxpayer to a regulated
public utility (as defined in section 7701(a)(33)) shall be
treated as sold to an unrelated person.”.
(f) MODIFICATION OF RULES FOR HYDROPOWER PRODUCTION.—Subparagraph (C) of section 45(e)(8) is amended to read as follows:

“(C) NONHYDROELECTRIC DAM.—For purposes of subparagraph (A), a facility is described in this subparagraph if—

“(i) the hydroelectric project installed on the nonhydroelectric dam is licensed by the Federal Energy Regulatory Commission and meets all other applicable environmental, licensing, and regulatory requirements,

“(ii) the nonhydroelectric dam was placed in service before the date of the enactment of this paragraph and operated for flood control, navigation, or water supply purposes and did not produce hydroelectric power on the date of the enactment of this paragraph, and

“(iii) the hydroelectric project is operated so that the water surface elevation at any given location and time that would have occurred in the absence of the hydroelectric project is maintained, subject to any license requirements imposed under
applicable law that change the water surface elevation for the purpose of improving environmental quality of the affected waterway.

The Secretary, in consultation with the Federal Energy Regulatory Commission, shall certify if a hydroelectric project licensed at a nonhydroelectric dam meets the criteria in clause (iii). Nothing in this section shall affect the standards under which the Federal Energy Regulatory Commission issues licenses for and regulates hydropower projects under part I of the Federal Power Act.”.

(g) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this section shall apply to property originally placed in service after December 31, 2008.

(2) REPEAL OF CREDIT PHASEOUT.—The amendments made by subsection (b)(1) shall apply to taxable years ending after December 31, 2008.

(3) LIMITATION BASED ON INVESTMENT IN FACILITY.—The amendment made by subsection (b)(2) shall apply to property originally placed in service after December 31, 2009.
(4) Trash facility clarification; sales to related regulated public utilities.—The amendments made by subsections (c) and (e) shall apply to electricity produced and sold after the date of the enactment of this Act.

(5) Expansion of biomass facilities.—The amendments made by subsection (d) shall apply to property placed in service after the date of the enactment of this Act.

SEC. 102. PRODUCTION CREDIT FOR ELECTRICITY PRODUCED FROM MARINE RENEWABLES.

(a) In General.—Paragraph (1) of section 45(c) is amended by striking “and’’ at the end of subparagraph (G), by striking the period at the end of subparagraph (H) and inserting ‘‘, and’’; and by adding at the end the following new subparagraph:

“(I) marine and hydrokinetic renewable energy.”.

(b) Marine Renewables.—Subsection (c) of section 45 is amended by adding at the end the following new paragraph:

“(10) Marine and hydrokinetic renewable energy.—
“(A) IN GENERAL.—The term ‘marine and hydrokinetic renewable energy’ means energy derived from—

“(i) waves, tides, and currents in oceans, estuaries, and tidal areas,

“(ii) free flowing water in rivers, lakes, and streams,

“(iii) free flowing water in an irrigation system, canal, or other man-made channel, including projects that utilize non-mechanical structures to accelerate the flow of water for electric power production purposes, or

“(iv) differentials in ocean temperature (ocean thermal energy conversion).

“(B) EXCEPTIONS.—Such term shall not include any energy which is derived from any source which utilizes a dam, diversionary structure (except as provided in subparagraph (A)(iii)), or impoundment for electric power production purposes.”.

(c) DEFINITION OF FACILITY.—Subsection (d) of section 45 is amended by adding at the end the following new paragraph:
“(11) Marine and Hydrokinetic Renewable Energy Facilities.—In the case of a facility producing electricity from marine and hydrokinetic renewable energy, the term ‘qualified facility’ means any facility owned by the taxpayer—

“(A) which has a nameplate capacity rating of at least 150 kilowatts, and

“(B) which is originally placed in service on or after the date of the enactment of this paragraph and before January 1, 2012.”.

(d) Credit Rate.—Subparagraph (A) of section 45(b)(4) is amended by striking “or (9)” and inserting “(9), or (11)”.

(e) Coordination With Small Irrigation Power.—Paragraph (5) of section 45(d), as amended by section 101, is amended by striking “January 1, 2012” and inserting “the date of the enactment of paragraph (11)”.

(f) Effective Date.—The amendments made by this section shall apply to electricity produced and sold after the date of the enactment of this Act, in taxable years ending after such date.

SEC. 103. ENERGY CREDIT.

(a) Extension of Credit.—
(1) SOLAR ENERGY PROPERTY.—Paragraphs (2)(A)(i)(II) and (3)(A)(ii) of section 48(a) are each amended by striking “January 1, 2009” and inserting “January 1, 2017”.

(2) FUEL CELL PROPERTY.—Subparagraph (E) of section 48(c)(1) is amended by striking “December 31, 2008” and inserting “December 31, 2017”.

(3) MICROTURBINE PROPERTY.—Subparagraph (E) of section 48(c)(2) is amended by striking “December 31, 2008” and inserting “December 31, 2017”.

(b) ALLOWANCE OF ENERGY CREDIT AGAINST ALTERNATIVE MINIMUM TAX.—Subparagraph (B) of section 38(c)(4), as amended by the Housing Assistance Tax Act of 2008, is amended by redesignating clauses (v) and (vi) as clauses (vi) and (vii), respectively, and by inserting after clause (iv) the following new clause:

“(v) the credit determined under section 46 to the extent that such credit is attributable to the energy credit determined under section 48, and”.

(c) ENERGY CREDIT FOR COMBINED HEAT AND POWER SYSTEM PROPERTY.—

(1) IN GENERAL.—Section 48(a)(3)(A) is amended by striking “or” at the end of clause (iii),
by inserting “or” at the end of clause (iv), and by
adding at the end the following new clause:

“(v) combined heat and power system property.”.

(2) COMBINED HEAT AND POWER SYSTEM PROPERTY.—Section 48 is amended by adding at
the end the following new subsection:

“(d) COMBINED HEAT AND POWER SYSTEM PROPERTY.—For purposes of subsection (a)(3)(A)(v)—

“(1) COMBINED HEAT AND POWER SYSTEM PROPERTY.—The term ‘combined heat and power system property’ means property comprising a system—

“(A) which uses the same energy source for the simultaneous or sequential generation of electrical power, mechanical shaft power, or both, in combination with the generation of steam or other forms of useful thermal energy (including heating and cooling applications),

“(B) which produces—

“(i) at least 20 percent of its total useful energy in the form of thermal energy which is not used to produce electrical or mechanical power (or combination thereof), and
“(ii) at least 20 percent of its total useful energy in the form of electrical or mechanical power (or combination thereof),
“(C) the energy efficiency percentage of which exceeds 60 percent, and
“(D) which is placed in service before January 1, 2018.
“(2) LIMITATION.—
“(A) IN GENERAL.—In the case of combined heat and power system property with an electrical capacity in excess of the applicable capacity placed in service during the taxable year, the credit under subsection (a)(1) (determined without regard to this paragraph) for such year shall be equal to the amount which bears the same ratio to such credit as the applicable capacity bears to the capacity of such property.
“(B) APPLICABLE CAPACITY.—For purposes of subparagraph (A), the term ‘applicable capacity’ means 15 megawatts or a mechanical energy capacity of more than 20,000 horsepower or an equivalent combination of electrical and mechanical energy capacities.
“(C) MAXIMUM CAPACITY.—The term ‘combined heat and power system property’
shall not include any property comprising a system if such system has a capacity in excess of 50 megawatts or a mechanical energy capacity in excess of 67,000 horsepower or an equivalent combination of electrical and mechanical energy capacities.

“(3) Special rules.—

“(A) Energy efficiency percentage.—For purposes of this subsection, the energy efficiency percentage of a system is the fraction—

“(i) the numerator of which is the total useful electrical, thermal, and mechanical power produced by the system at normal operating rates, and expected to be consumed in its normal application, and

“(ii) the denominator of which is the lower heating value of the fuel sources for the system.

“(B) Determinations made on Btu basis.—The energy efficiency percentage and the percentages under paragraph (1)(B) shall be determined on a Btu basis.

“(C) Input and output property not included.—The term ‘combined heat and
23 power system property’ does not include property used to transport the energy source to the facility or to distribute energy produced by the facility.

“(4) SYSTEMS USING BIOMASS.—If a system is designed to use biomass (within the meaning of paragraphs (2) and (3) of section 45(c) without regard to the last sentence of paragraph (3)(A)) for at least 90 percent of the energy source—

“(A) paragraph (1)(C) shall not apply, but

“(B) the amount of credit determined under subsection (a) with respect to such system shall not exceed the amount which bears the same ratio to such amount of credit (determined without regard to this paragraph) as the energy efficiency percentage of such system bears to 60 percent.”.

(d) INCREASE OF CREDIT LIMITATION FOR FUEL CELL PROPERTY.—Subparagraph (B) of section 48(c)(1) is amended by striking “$500” and inserting “$1,500”.

(e) PUBLIC UTILITY PROPERTY TAKEN INTO ACCOUNT.—

(1) IN GENERAL.—Paragraph (3) of section 48(a) is amended by striking the second sentence thereof.
(2) CONFORMING AMENDMENTS.—

(A) Paragraph (1) of section 48(e) is amended by striking subparagraph (D) and redesignating subparagraph (E) as subparagraph (D).

(B) Paragraph (2) of section 48(e) is amended by striking subparagraph (D) and redesignating subparagraph (E) as subparagraph (D).

(f) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this section shall take effect on the date of the enactment of this Act.

(2) ALLOWANCE AGAINST ALTERNATIVE MINIMUM TAX.—The amendments made by subsection (b) shall apply to credits determined under section 46 of the Internal Revenue Code of 1986 in taxable years beginning after the date of the enactment of this Act and to carrybacks of such credits.

(3) COMBINED HEAT AND POWER AND FUEL CELL PROPERTY.—The amendments made by subsections (c) and (d) shall apply to periods after the date of the enactment of this Act, in taxable years ending after such date, under rules similar to the
rules of section 48(m) of the Internal Revenue Code of 1986 (as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990).

(4) **Public utility property.**—The amendments made by subsection (e) shall apply to periods after February 13, 2008, in taxable years ending after such date, under rules similar to the rules of section 48(m) of the Internal Revenue Code of 1986 (as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990).

**SEC. 104. CREDIT FOR RESIDENTIAL ENERGY EFFICIENT PROPERTY.**

(a) **Extension.**—Section 25D(g) is amended by striking “December 31, 2008” and inserting “December 31, 2016”.

(b) **Maximum credit for solar electric property.**—

(1) **In general.**—Section 25D(b)(1)(A) is amended by striking “$2,000” and inserting “$4,000”.

(2) **Conforming amendment.**—Section 25D(e)(4)(A)(i) is amended by striking “$6,667” and inserting “$13,333”.

(c) **Credit for residential wind property.**—
(1) In general.—Section 25D(a) is amended by striking “and” at the end of paragraph (2), by striking the period at the end of paragraph (3) and inserting “, and”, and by adding at the end the following new paragraph:

“(4) 30 percent of the qualified small wind energy property expenditures made by the taxpayer during such year.”.

(2) Limitation.—Section 25D(b)(1) is amended by striking “and” at the end of subparagraph (B), by striking the period at the end of subparagraph (C) and inserting “, and”, and by adding at the end the following new subparagraph:

“(D) $500 with respect to each half kilowatt of capacity (not to exceed $4,000) of wind turbines for which qualified small wind energy property expenditures are made.”.

(3) Qualified small wind energy property expenditures.—

(A) In general.—Section 25D(d) is amended by adding at the end the following new paragraph:

“(4) Qualified small wind energy property expenditure.—The term ‘qualified small wind energy property expenditure’ means an expend-
iture for property which uses a wind turbine to ge-
nerate electricity for use in connection with a dwelling
unit located in the United States and used as a resi-
dence by the taxpayer.”.

(B) NO DOUBLE BENEFIT.—Section
45(d)(1) is amended by adding at the end the
following new sentence: “Such term shall not
include any facility with respect to which any
qualified small wind energy property expendi-
ture (as defined in subsection (d)(4) of section
25D) is taken into account in determining the
credit under such section.”.

(4) MAXIMUM EXPENDITURES IN CASE OF
JOINT OCCUPANCY.—Section 25D(e)(4)(A) is
amended by striking “and” at the end of clause (ii),
by striking the period at the end of clause (iii) and
inserting “, and”, and by adding at the end the fol-
lowing new clause:

“(iv) $1,667 in the case of each half
kilowatt of capacity (not to exceed
$13,333) of wind turbines for which quali-
ﬁed small wind energy property expendi-
tures are made.”.

(d) CREDIT FOR GEOTHERMAL HEAT PUMP SYST-
EMS.—
(1) In general.—Section 25D(a), as amended by subsection (c), is amended by striking “and” at the end of paragraph (3), by striking the period at the end of paragraph (4) and inserting “, and”, and by adding at the end the following new paragraph:

“(5) 30 percent of the qualified geothermal heat pump property expenditures made by the taxpayer during such year.”.

(2) Limitation.—Section 25D(b)(1), as amended by subsection (c), is amended by striking “and” at the end of subparagraph (C), by striking the period at the end of subparagraph (D) and inserting “, and”, and by adding at the end the following new subparagraph:

“(E) $2,000 with respect to any qualified geothermal heat pump property expenditures.”.

(3) Qualified geothermal heat pump property expenditure.—Section 25D(d), as amended by subsection (c), is amended by adding at the end the following new paragraph:

“(5) Qualified geothermal heat pump property expenditure.—

“(A) In general.—The term ‘qualified geothermal heat pump property expenditure’ means an expenditure for qualified geothermal
heat pump property installed on or in connection with a dwelling unit located in the United States and used as a residence by the taxpayer.

"(B) QUALIFIED GEOTHERMAL HEAT PUMP PROPERTY.—The term ‘qualified geothermal heat pump property’ means any equipment which—

"(i) uses the ground or ground water as a thermal energy source to heat the dwelling unit referred to in subparagraph (A) or as a thermal energy sink to cool such dwelling unit, and

"(ii) meets the requirements of the Energy Star program which are in effect at the time that the expenditure for such equipment is made.”.

(4) MAXIMUM EXPENDITURES IN CASE OF JOINT OCCUPANCY.—Section 25D(e)(4)(A), as amended by subsection (c), is amended by striking “and” at the end of clause (iii), by striking the period at the end of clause (iv) and inserting “, and”, and by adding at the end the following new clause:

“(v) $6,667 in the case of any qualified geothermal heat pump property expenditures.”.
(c) Credit Allowed Against Alternative Minimum Tax.—

(1) In general.—Subsection (c) of section 25D is amended to read as follows:

“(c) Limitation Based on Amount of Tax;

Carryforward of Unused Credit.—

“(1) Limitation Based on Amount of Tax.—In the case of a taxable year to which section 26(a)(2) does not apply, the credit allowed under subsection (a) for the taxable year shall not exceed the excess of—

“(A) the sum of the regular tax liability (as defined in section 26(b)) plus the tax imposed by section 55, over

“(B) the sum of the credits allowable under this subpart (other than this section) and section 27 for the taxable year.

“(2) Carryforward of Unused Credit.—

“(A) Rule for years in which all personal credits allowed against regular and alternative minimum tax.—In the case of a taxable year to which section 26(a)(2) applies, if the credit allowable under subsection (a) exceeds the limitation imposed by section 26(a)(2) for such taxable year reduced
by the sum of the credits allowable under this subpart (other than this section), such excess shall be carried to the succeeding taxable year and added to the credit allowable under subsection (a) for such succeeding taxable year.

“(B) Rule for Other Years.—In the case of a taxable year to which section 26(a)(2) does not apply, if the credit allowable under subsection (a) exceeds the limitation imposed by paragraph (1) for such taxable year, such excess shall be carried to the succeeding taxable year and added to the credit allowable under subsection (a) for such succeeding taxable year.”.

(2) Conforming Amendments.—

(A) Section 23(b)(4)(B) is amended by inserting “and section 25D” after “this section”.

(B) Section 24(b)(3)(B) is amended by striking “and 25B” and inserting “, 25B, and 25D”.

(C) Section 25B(g)(2) is amended by striking “section 23” and inserting “sections 23 and 25D”.

(D) Section 26(a)(1) is amended by striking “and 25B” and inserting “25B, and 25D”.

(f) Effective Date.—

(1) In general.—The amendments made by this section shall apply to taxable years beginning after December 31, 2007.

(2) Application of EGTRRA sunset.—The amendments made by subparagraphs (A) and (B) of subsection (e)(2) shall be subject to title IX of the Economic Growth and Tax Relief Reconciliation Act of 2001 in the same manner as the provisions of such Act to which such amendments relate.

SEC. 105. SPECIAL RULE TO IMPLEMENT FERC AND STATE ELECTRIC RESTRUCTURING POLICY.

(a) Extension for Qualified Electric Utilities.—

(1) In general.—Paragraph (3) of section 451(i) is amended by inserting “(before January 1, 2010, in the case of a qualified electric utility)” after “January 1, 2008”.

(2) Qualified electric utility.—Subsection (i) of section 451 is amended by redesignating paragraphs (6) through (10) as paragraphs (7) through (11), respectively, and by inserting after paragraph (5) the following new paragraph:

“(6) Qualified electric utility.—For purposes of this subsection, the term ‘qualified electric
utility’ means a person that, as of the date of the qualifying electric transmission transaction, is vertically integrated, in that it is both—

“(A) a transmitting utility (as defined in section 3(23) of the Federal Power Act (16 U.S.C. 796(23))) with respect to the transmission facilities to which the election under this subsection applies, and

“(B) an electric utility (as defined in section 3(22) of the Federal Power Act (16 U.S.C. 796(22))).”.

(b) Extension of Period for Transfer of Operational Control Authorized by FERC.— Clause (ii) of section 451(i)(4)(B) is amended by striking “December 31, 2007” and inserting “the date which is 4 years after the close of the taxable year in which the transaction occurs”.

(c) Property Located Outside the United States Not Treated as Exempt Utility Property.—Paragraph (5) of section 451(i) is amended by adding at the end the following new subparagraph:

“(C) Exception for property located outside the United States.—The term ‘exempt utility property’ shall not include any
property which is located outside the United States.”.

(d) Effective Dates.—

(1) Extension.—The amendments made by subsection (a) shall apply to transactions after December 31, 2007.

(2) Transfers of Operational Control.—

The amendment made by subsection (b) shall take effect as if included in section 909 of the American Jobs Creation Act of 2004.

(3) Exception for Property Located Outside the United States.—The amendment made by subsection (c) shall apply to transactions after the date of the enactment of this Act.

SEC. 106. NEW CLEAN RENEWABLE ENERGY BONDS.

(a) In General.—Subpart I of part IV of subchapter A of chapter 1 is amended by adding at the end the following new section:

“SEC. 54C. NEW CLEAN RENEWABLE ENERGY BONDS.

“(a) New Clean Renewable Energy Bond.—For purposes of this subpart, the term ‘new clean renewable energy bond’ means any bond issued as part of an issue if—

“(1) 100 percent of the available project pro-

ceeds of such issue are to be used for capital expend-
itures incurred by governmental bodies, public power providers, or cooperative electric companies for one or more qualified renewable energy facilities,

“(2) the bond is issued by a qualified issuer, and

“(3) the issuer designates such bond for purposes of this section.

“(b) REDUCED CREDIT AMOUNT.—The annual credit determined under section 54A(b) with respect to any new clean renewable energy bond shall be 70 percent of the amount so determined without regard to this subsection.

“(c) LIMITATION ON AMOUNT OF BONDS DESIGNATED.—

“(1) IN GENERAL.—The maximum aggregate face amount of bonds which may be designated under subsection (a) by any issuer shall not exceed the limitation amount allocated under this subsection to such issuer.

“(2) NATIONAL LIMITATION ON AMOUNT OF BONDS DESIGNATED.—There is a national new clean renewable energy bond limitation of $2,000,000,000 which shall be allocated by the Secretary as provided in paragraph (3), except that—
“(A) not more than 33\(\frac{1}{3}\) percent thereof may be allocated to qualified projects of public power providers,

“(B) not more than 33\(\frac{1}{3}\) percent thereof may be allocated to qualified projects of governmental bodies, and

“(C) not more than 33\(\frac{1}{3}\) percent thereof may be allocated to qualified projects of cooperative electric companies.

“(3) Method of Allocation.—

“(A) Allocation among Public Power Providers.—After the Secretary determines the qualified projects of public power providers which are appropriate for receiving an allocation of the national new clean renewable energy bond limitation, the Secretary shall, to the maximum extent practicable, make allocations among such projects in such manner that the amount allocated to each such project bears the same ratio to the cost of such project as the limitation under paragraph (2)(A) bears to the cost of all such projects.

“(B) Allocation among Governmental Bodies and Cooperative Electric Companies.—The Secretary shall make allocations of
the amount of the national new clean renewable
energy bond limitation described in paragraphs
(2)(B) and (2)(C) among qualified projects of
governmental bodies and cooperative electric
companies, respectively, in such manner as the
Secretary determines appropriate.

“(d) DEFINITIONS.—For purposes of this section—
“(1) QUALIFIED RENEWABLE ENERGY FACIL-
ITY.—The term ‘qualified renewable energy facility’
means a qualified facility (as determined under sec-
tion 45(d) without regard to paragraphs (8) and
(10) thereof and to any placed in service date)
owned by a public power provider, a governmental
body, or a cooperative electric company.

“(2) PUBLIC POWER PROVIDER.—The term
‘public power provider’ means a State utility with a
service obligation, as such terms are defined in sec-
tion 217 of the Federal Power Act (as in effect on
the date of the enactment of this paragraph).

“(3) GOVERNMENTAL BODY.—The term ‘gov-
ernmental body’ means any State or Indian tribal
government, or any political subdivision thereof.

“(4) COOPERATIVE ELECTRIC COMPANY.—The
term ‘cooperative electric company’ means a mutual
or cooperative electric company described in section 501(e)(12) or section 1381(a)(2)(C).

“(5) CLEAN RENEWABLE ENERGY BOND LENDER.—The term ‘clean renewable energy bond lender’ means a lender which is a cooperative which is owned by, or has outstanding loans to, 100 or more cooperative electric companies and is in existence on February 1, 2002, and shall include any affiliated entity which is controlled by such lender.

“(6) QUALIFIED ISSUER.—The term ‘qualified issuer’ means a public power provider, a cooperative electric company, a governmental body, a clean renewable energy bond lender, or a not-for-profit electric utility which has received a loan or loan guarantee under the Rural Electrification Act.”.

(b) CONFORMING AMENDMENTS.—

(1) Paragraph (1) of section 54A(d) is amended to read as follows:

“(1) QUALIFIED TAX CREDIT BOND.—The term ‘qualified tax credit bond’ means—

“(A) a qualified forestry conservation bond, or

“(B) a new clean renewable energy bond, which is part of an issue that meets requirements of paragraphs (2), (3), (4), (5), and (6).”.
(2) Subparagraph (C) of section 54A(d)(2) is amended to read as follows:

“(C) QUALIFIED PURPOSE.—For purposes of this paragraph, the term ‘qualified purpose’ means—

“(i) in the case of a qualified forestry conservation bond, a purpose specified in section 54B(e), and

“(ii) in the case of a new clean renewable energy bond, a purpose specified in section 54C(a)(1).”.

(3) The table of sections for subpart I of part IV of subchapter A of chapter 1 is amended by adding at the end the following new item:

“Sec. 54C. Qualified clean renewable energy bonds.”.

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

PART II—CARBON MITIGATION PROVISIONS

SEC. 111. EXPANSION AND MODIFICATION OF ADVANCED COAL PROJECT INVESTMENT CREDIT.

(a) MODIFICATION OF CREDIT AMOUNT.—Section 48A(a) is amended by striking “and” at the end of paragraph (1), by striking the period at the end of paragraph (2) and inserting “, and”, and by adding at the end the following new paragraph:
“(3) 30 percent of the qualified investment for such taxable year in the case of projects described in clause (iii) of subsection (d)(3)(B).”.

(b) Expansion of Aggregate Credits.—Section 48A(d)(3)(A) is amended by striking “$1,300,000,000” and inserting “$2,550,000,000”.

(c) Authorization of Additional Projects.—

(1) In general.—Subparagraph (B) of section 48A(d)(3) is amended to read as follows:

“(B) Particular projects.—Of the dollar amount in subparagraph (A), the Secretary is authorized to certify—

“(i) $800,000,000 for integrated gasification combined cycle projects the application for which is submitted during the period described in paragraph (2)(A)(i),

“(ii) $500,000,000 for projects which use other advanced coal-based generation technologies the application for which is submitted during the period described in paragraph (2)(A)(i), and

“(iii) $1,250,000,000 for advanced coal-based generation technology projects the application for which is submitted dur-
(2) APPLICATION PERIOD FOR ADDITIONAL PROJECTS.—Subparagraph (A) of section 48A(d)(2) is amended to read as follows:

“(A) APPLICATION PERIOD.—Each applicant for certification under this paragraph shall submit an application meeting the requirements of subparagraph (B). An applicant may only submit an application—

“(i) for an allocation from the dollar amount specified in clause (i) or (ii) of paragraph (3)(B) during the 3-year period beginning on the date the Secretary establishes the program under paragraph (1), and

“(ii) for an allocation from the dollar amount specified in paragraph (3)(B)(iii) during the 3-year period beginning at the earlier of the termination of the period described in clause (i) or the date prescribed by the Secretary.”.

(3) CAPTURE AND SEQUESTRATION OF CARBON DIOXIDE EMISSIONS REQUIREMENT.—
(A) IN GENERAL.—Section 48A(e)(1) is amended by striking “and” at the end of subparagraph (E), by striking the period at the end of subparagraph (F) and inserting “; and”, and by adding at the end the following new subparagraph:

“(G) in the case of any project the application for which is submitted during the period described in subsection (d)(2)(A)(ii), the project includes equipment which separates and sequesters at least 65 percent (70 percent in the case of an application for reallocated credits under subsection (d)(4)) of such project’s total carbon dioxide emissions.”.

(B) HIGHEST PRIORITY FOR PROJECTS WHICH SEQUESTER CARBON DIOXIDE EMISSIONS.—Section 48A(e)(3) is amended by striking “and” at the end of subparagraph (A)(iii), by striking the period at the end of subparagraph (B)(iii) and inserting “, and”, and by adding at the end the following new subparagraph:

“(C) give highest priority to projects with the greatest separation and sequestration percentage of total carbon dioxide emissions.”.
(C) Recapture of credit for failure to sequester.—Section 48A is amended by adding at the end the following new subsection:

“(i) Recapture of credit for failure to sequester.—The Secretary shall provide for recapturing the benefit of any credit allowable under subsection (a) with respect to any project which fails to attain or maintain the separation and sequestration requirements of subsection (e)(1)(G).”.

(4) Additional priority for research partnerships.—Section 48A(e)(3)(B), as amended by paragraph (3)(B), is amended—

(A) by striking “and” at the end of clause (ii),

(B) by redesignating clause (iii) as clause (iv), and

(C) by inserting after clause (ii) the following new clause:

“(iii) applicant participants who have a research partnership with an eligible educational institution (as defined in section 529(e)(5)), and”.

(5) Clerical amendment.—Section 48A(e)(3) is amended by striking “INTEGRATED GASIFICATION
COMBINED CYCLE” in the heading and inserting “CERTAIN”.

(d) DISCLOSURE OF ALLOCATIONS.—Section 48A(d) is amended by adding at the end the following new paragraph:

“(5) DISCLOSURE OF ALLOCATIONS.—The Secretary shall, upon making a certification under this subsection or section 48B(d), publicly disclose the identity of the applicant and the amount of the credit certified with respect to such applicant.”.

(e) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this section shall apply to credits the application for which is submitted during the period described in section 48A(d)(2)(A)(ii) of the Internal Revenue Code of 1986 and which are allocated or reallocated after the date of the enactment of this Act.

(2) DISCLOSURE OF ALLOCATIONS.—The amendment made by subsection (d) shall apply to certifications made after the date of the enactment of this Act.

(3) CLERICAL AMENDMENT.—The amendment made by subsection (c)(5) shall take effect as if in-
SEC. 112. EXPANSION AND MODIFICATION OF COAL GASIFICATION INVESTMENT CREDIT.

(a) Modification of Credit Amount.—Section 48B(a) is amended by inserting “(30 percent in the case of credits allocated under subsection (d)(1)(B))” after “20 percent”.

(b) Expansion of Aggregate Credits.—Section 48B(d)(1) is amended by striking “shall not exceed $350,000,000” and all that follows and inserting “shall not exceed—

“(A) $350,000,000, plus

“(B) $250,000,000 for qualifying gasification projects that include equipment which separates and sequesters at least 75 percent of such project’s total carbon dioxide emissions.”.

(c) Recapture of Credit for Failure To Sequester.—Section 48B is amended by adding at the end the following new subsection:

“(f) Recapture of Credit for Failure To Sequester.—The Secretary shall provide for recapturing the benefit of any credit allowable under subsection (a) with respect to any project which fails to attain or main-
tain the separation and sequestration requirements for such project under subsection (d)(1).”.

(d) SELECTION PRIORITIES.—Section 48B(d) is amended by adding at the end the following new paragraph:

“(4) SELECTION PRIORITIES.—In determining which qualifying gasification projects to certify under this section, the Secretary shall—

“(A) give highest priority to projects with the greatest separation and sequestration percentage of total carbon dioxide emissions, and

“(B) give high priority to applicant participants who have a research partnership with an eligible educational institution (as defined in section 529(e)(5)).”.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to credits described in section 48B(d)(1)(B) of the Internal Revenue Code of 1986 which are allocated or reallocated after the date of the enactment of this Act.

SEC. 113. TEMPORARY INCREASE IN COAL EXCISE TAX.

Paragraph (2) of section 4121(e) is amended—

(1) by striking “January 1, 2014” in subparagraph (A) and inserting “December 31, 2018”, and
(2) by striking “January 1 after 1981” in sub-
paragraph (B) and inserting “December 31 after
2007”.

SEC. 114. SPECIAL RULES FOR REFUND OF THE COAL EX-
CISE TAX TO CERTAIN COAL PRODUCERS
AND EXPORTERS.

(a) Refund.—

(1) Coal producers.—

(A) In general.—Notwithstanding sub-
sections (a)(1) and (c) of section 6416 and sec-
tion 6511 of the Internal Revenue Code of
1986, if—

(i) a coal producer establishes that
such coal producer, or a party related to
such coal producer, exported coal produced
by such coal producer to a foreign country
or shipped coal produced by such coal pro-
der to a possession of the United States,
or caused such coal to be exported or
shipped, the export or shipment of which
was other than through an exporter who
meets the requirements of paragraph (2),

(ii) such coal producer filed an excise
tax return on or after October 1, 1990,
and on or before the date of the enactment of this Act, and

(iii) such coal producer files a claim for refund with the Secretary not later than the close of the 30-day period beginning on the date of the enactment of this Act,

then the Secretary shall pay to such coal producer an amount equal to the tax paid under section 4121 of such Code on such coal exported or shipped by the coal producer or a party related to such coal producer, or caused by the coal producer or a party related to such coal producer to be exported or shipped.

(B) Special rules for certain taxpayers.—For purposes of this section—

(i) In general.—If a coal producer or a party related to a coal producer has received a judgment described in clause (iii), such coal producer shall be deemed to have established the export of coal to a foreign country or shipment of coal to a possession of the United States under subparagraph (A)(i).
(ii) AMOUNT OF PAYMENT.—If a taxpayer described in clause (i) is entitled to a payment under subparagraph (A), the amount of such payment shall be reduced by any amount paid pursuant to the judgment described in clause (iii).

(iii) JUDGMENT DESCRIBED.—A judgment is described in this subparagraph if such judgment—

(I) is made by a court of competent jurisdiction within the United States,

(II) relates to the constitutionality of any tax paid on exported coal under section 4121 of the Internal Revenue Code of 1986, and

(III) is in favor of the coal producer or the party related to the coal producer.

(2) EXPORTERS.—Notwithstanding subsections (a)(1) and (c) of section 6416 and section 6511 of the Internal Revenue Code of 1986, and a judgment described in paragraph (1)(B)(iii) of this subsection, if—
(A) an exporter establishes that such exporter exported coal to a foreign country or shipped coal to a possession of the United States, or caused such coal to be so exported or shipped,

(B) such exporter filed a tax return on or after October 1, 1990, and on or before the date of the enactment of this Act, and

(C) such exporter files a claim for refund with the Secretary not later than the close of the 30-day period beginning on the date of the enactment of this Act,

then the Secretary shall pay to such exporter an amount equal to $0.825 per ton of such coal exported by the exporter or caused to be exported or shipped, or caused to be exported or shipped, by the exporter.

(b) LIMITATIONS.—Subsection (a) shall not apply with respect to exported coal if a settlement with the Federal Government has been made with and accepted by, the coal producer, a party related to such coal producer, or the exporter, of such coal, as of the date that the claim is filed under this section with respect to such exported coal. For purposes of this subsection, the term “settlement with the Federal Government” shall not include any settle-
ment or stipulation entered into as of the date of the enactment of this Act, the terms of which contemplate a judgment concerning which any party has reserved the right to file an appeal, or has filed an appeal.

(c) Subsequent Refund Prohibited.—No refund shall be made under this section to the extent that a credit or refund of such tax on such exported or shipped coal has been paid to any person.

(d) Definitions.—For purposes of this section—

(1) Coal Producer.—The term “coal producer” means the person in whom is vested ownership of the coal immediately after the coal is severed from the ground, without regard to the existence of any contractual arrangement for the sale or other disposition of the coal or the payment of any royalties between the producer and third parties. The term includes any person who extracts coal from coal waste refuse piles or from the silt waste product which results from the wet washing (or similar processing) of coal.

(2) Exporter.—The term “exporter” means a person, other than a coal producer, who does not have a contract, fee arrangement, or any other agreement with a producer or seller of such coal to
export or ship such coal to a third party on behalf
of the producer or seller of such coal and—

(A) is indicated in the shipper’s export
declaration or other documentation as the ex-
porter of record, or

(B) actually exported such coal to a for-
eign country or shipped such coal to a posses-
sion of the United States, or caused such coal
to be so exported or shipped.

(3) RELATED PARTY.—The term “a party re-
lated to such coal producer” means a person who—

(A) is related to such coal producer
through any degree of common management,
stock ownership, or voting control,

(B) is related (within the meaning of sec-
tion 144(a)(3) of the Internal Revenue Code of
1986) to such coal producer, or

(C) has a contract, fee arrangement, or
any other agreement with such coal producer to
sell such coal to a third party on behalf of such
coal producer.

(4) SECRETARY.—The term “Secretary” means
the Secretary of Treasury or the Secretary’s des-
ignee.
(c) **Timing of Refund.**—With respect to any claim for refund filed pursuant to this section, the Secretary shall determine whether the requirements of this section are met not later than 180 days after such claim is filed. If the Secretary determines that the requirements of this section are met, the claim for refund shall be paid not later than 180 days after the Secretary makes such determination.

(f) **Interest.**—Any refund paid pursuant to this section shall be paid by the Secretary with interest from the date of overpayment determined by using the overpayment rate and method under section 6621 of the Internal Revenue Code of 1986.

(g) **Denial of Double Benefit.**—The payment under subsection (a) with respect to any coal shall not exceed—

(1) in the case of a payment to a coal producer, the amount of tax paid under section 4121 of the Internal Revenue Code of 1986 with respect to such coal by such coal producer or a party related to such coal producer, and

(2) in the case of a payment to an exporter, an amount equal to $0.825 per ton with respect to such coal exported by the exporter or caused to be exported by the exporter.
(h) APPLICATION OF SECTION.—This section applies only to claims on coal exported or shipped on or after October 1, 1990, through the date of the enactment of this Act.

(i) STANDING NOT CONFERRED.—

(1) EXPORTERS.—With respect to exporters, this section shall not confer standing upon an exporter to commence, or intervene in, any judicial or administrative proceeding concerning a claim for refund by a coal producer of any Federal or State tax, fee, or royalty paid by the coal producer.

(2) COAL PRODUCERS.—With respect to coal producers, this section shall not confer standing upon a coal producer to commence, or intervene in, any judicial or administrative proceeding concerning a claim for refund by an exporter of any Federal or State tax, fee, or royalty paid by the producer and alleged to have been passed on to an exporter.

SEC. 115. CARBON AUDIT OF THE TAX CODE.

(a) STUDY.—The Secretary of the Treasury shall enter into an agreement with the National Academy of Sciences to undertake a comprehensive review of the Internal Revenue Code of 1986 to identify the types of and specific tax provisions that have the largest effects on car-
bon and other greenhouse gas emissions and to estimate the magnitude of those effects.

(b) REPORT.—Not later than 2 years after the date of enactment of this Act, the National Academy of Sciences shall submit to Congress a report containing the results of study authorized under this section.

c) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section $1,500,000 for the period of fiscal years 2008 and 2009.


SEC. 121. INCLUSION OF CELLULOSIC BIOFUEL IN BONUS DEPRECIATION FOR BIOMASS ETHANOL PLANT PROPERTY.

(a) IN GENERAL.—Paragraph (3) of section 168(l) is amended to read as follows:

“(3) CELLULOSIC BIOFUEL.—The term ‘cellulosic biofuel’ means any liquid fuel which is produced from any lignocellulosic or hemicellulosic matter that is available on a renewable or recurring basis.”.

(b) CONFORMING AMENDMENTS.—Subsection (l) of section 168 is amended—
(1) by striking “cellulosic biomass ethanol” each place it appears and inserting “cellulosic biofuel”,

(2) by striking “CELLULOSIC BIOMASS ETHANOL” in the heading of such subsection and inserting “CELLULOSIC BIOFUEL”, and

(3) by striking “CELLULOSIC BIOMASS ETHANOL” in the heading of paragraph (2) thereof and inserting “CELLULOSIC BIOFUEL”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to property placed in service after the date of the enactment of this Act, in taxable years ending after such date.

SEC. 122. CREDITS FOR BIODIESEL AND RENEWABLE DIESEL.

(a) In General.—Sections 40A(g), 6426(e)(6), and 6427(e)(5)(B) are each amended by striking “December 31, 2008” and inserting “December 31, 2009”.

(b) Increase in Rate of Credit.—

(1) Income Tax Credit.—Paragraphs (1)(A) and (2)(A) of section 40A(b) are each amended by striking “50 cents” and inserting “$1.00”.

(2) Excise Tax Credit.—Paragraph (2) of section 6426(e) is amended to read as follows:
“(2) APPLICABLE AMOUNT.—For purposes of this subsection, the applicable amount is $1.00.”.

(3) CONFORMING AMENDMENTS.—

(A) Subsection (b) of section 40A is amended by striking paragraph (3) and by redesignating paragraphs (4) and (5) as paragraphs (3) and (4), respectively.

(B) Paragraph (2) of section 40A(f) is amended to read as follows:

“(2) EXCEPTION.—Subsection (b)(4) shall not apply with respect to renewable diesel.”.

(C) Paragraphs (2) and (3) of section 40A(e) are each amended by striking “subsection (b)(5)(C)” and inserting “subsection (b)(4)(C)”.

(D) Clause (ii) of section 40A(d)(3)(C) is amended by striking “subsection (b)(5)(B)” and inserting “subsection (b)(4)(B)”.

(e) UNIFORM TREATMENT OF DIESEL PRODUCED FROM BIOMASS.—Paragraph (3) of section 40A(f) is amended—

(1) by striking “diesel fuel” and inserting “liquid fuel”,

(2) by striking “using a thermal depolymerization process”, and
(3) by striking “or D396” in subparagraph (B) and inserting “, D396, or other equivalent standard approved by the Secretary”.

(d) COPRODUCTION OF RENEWABLE DIESEL WITH PETROLEUM FEEDSTOCK.—

(1) IN GENERAL.—Paragraph (3) of section 40A(f) is amended by adding at the end the following new sentence: “Such term does not include any fuel derived from coprocessing biomass with a feedstock which is not biomass. For purposes of this paragraph, the term ‘biomass’ has the meaning given such term by section 45K(e)(3).”.

(2) CONFORMING AMENDMENT.—Paragraph (3) of section 40A(f) is amended by striking “(as defined in section 45K(e)(3))”.

(e) ELIGIBILITY OF CERTAIN AVIATION FUEL.— Paragraph (3) of section 40A(f) is amended by adding at the end the following: “The term ‘renewable diesel’ also means fuel derived from biomass which meets the requirements of a Department of Defense specification for military jet fuel or an American Society of Testing and Materials specification for aviation turbine fuel.”.

(f) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by
this section shall apply to fuel produced, and sold or
used, after December 31, 2008.

(2) COPRODUCTION OF RENEWABLE DIESEL
WITH PETROLEUM FEEDSTOCK.—The amendments
made by subsection (d) shall apply to fuel produced,
and sold or used, after the date of the enactment of
this Act.

SEC. 123. CLARIFICATION THAT CREDITS FOR FUEL ARE
DESIGNED TO PROVIDE AN INCENTIVE FOR
UNITED STATES PRODUCTION.

(a) ALCOHOL FUELS CREDIT.—Paragraph (6) of sec-
tion 40(d) is amended to read as follows:

“(6) LIMITATION TO ALCOHOL WITH CONNEC-
tION TO THE UNITED STATES.—No credit shall be
determined under this section with respect to any al-
cohol which is produced outside the United States
for use as a fuel outside the United States. For pur-
poses of this paragraph, the term ‘United States’ in-
cludes any possession of the United States.”.

(b) BIODIESEL FUELS CREDIT.—Subsection (d) of
section 40A is amended by adding at the end the following
new paragraph:

“(5) LIMITATION TO BIODIESEL WITH CONNEC-
tION TO THE UNITED STATES.—No credit shall be
determined under this section with respect to any
biodiesel which is produced outside the United States for use as a fuel outside the United States. For purposes of this paragraph, the term ‘United States’ includes any possession of the United States.”.

(c) EXCISE TAX CREDIT.—

(1) IN GENERAL.—Section 6426 is amended by adding at the end the following new subsection:

“(i) LIMITATION TO FUELS WITH CONNECTION TO THE UNITED STATES.—

“(1) ALCOHOL.—No credit shall be determined under this section with respect to any alcohol which is produced outside the United States for use as a fuel outside the United States.

“(2) BIODIESEL AND ALTERNATIVE FUELS.—

No credit shall be determined under this section with respect to any biodiesel or alternative fuel which is produced outside the United States for use as a fuel outside the United States.

For purposes of this subsection, the term ‘United States’ includes any possession of the United States.”.

(2) CONFORMING AMENDMENT.—Subsection (e) of section 6427 is amended by redesignating paragraph (5) as paragraph (6) and by inserting after paragraph (4) the following new paragraph:
“(5) Limitation to Fuels with Connection to the United States.—No amount shall be payable under paragraph (1) or (2) with respect to any mixture or alternative fuel if credit is not allowed with respect to such mixture or alternative fuel by reason of section 6426(i).”.

(d) Effective Date.—The amendments made by this section shall apply to claims for credit or payment made on or after May 15, 2008.

SEC. 124. CREDIT FOR NEW QUALIFIED PLUG-IN ELECTRIC DRIVE MOTOR VEHICLES.

(a) In General.—Subpart B of part IV of subchapter A of chapter 1 is amended by adding at the end the following new section:

“SEC. 30D. NEW QUALIFIED PLUG-IN ELECTRIC DRIVE MOTOR VEHICLES.

“(a) Allowance of Credit.—There shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to the sum of the credit amounts determined under subsection (b) with respect to each new qualified plug-in electric drive motor vehicle placed in service by the taxpayer during the taxable year.

“(b) Per Vehicle Dollar Limitation.—
“(1) IN GENERAL.—The amount determined under this subsection with respect to any new qualified plug-in electric drive motor vehicle is the sum of the amounts determined under paragraphs (2) and (3) with respect to such vehicle.

“(2) BASE AMOUNT.—The amount determined under this paragraph is $3,000.

“(3) BATTERY CAPACITY.—In the case of a vehicle which draws propulsion energy from a battery with not less than 5 kilowatt hours of capacity, the amount determined under this paragraph is $200, plus $200 for each kilowatt hour of capacity in excess of 5 kilowatt hours. The amount determined under this paragraph shall not exceed $2,000.

“(c) APPLICATION WITH OTHER CREDITS.—

“(1) BUSINESS CREDIT TREATED AS PART OF GENERAL BUSINESS CREDIT.—So much of the credit which would be allowed under subsection (a) for any taxable year (determined without regard to this subsection) that is attributable to property of a character subject to an allowance for depreciation shall be treated as a credit listed in section 38(b) for such taxable year (and not allowed under subsection (a)).

“(2) PERSONAL CREDIT.—
“(A) In general.—For purposes of this title, the credit allowed under subsection (a) for any taxable year (determined after application of paragraph (1)) shall be treated as a credit allowable under subpart A for such taxable year.

“(B) Limitation based on amount of tax.—In the case of a taxable year to which section 26(a)(2) does not apply, the credit allowed under subsection (a) for any taxable year (determined after application of paragraph (1)) shall not exceed the excess of—

“(i) the sum of the regular tax liability (as defined in section 26(b)) plus the tax imposed by section 55, over

“(ii) the sum of the credits allowable under subpart A (other than this section and sections 23 and 25D) and section 27 for the taxable year.

“(d) New Qualified Plug-In Electric Drive Motor Vehicle.—For purposes of this section—

“(1) In general.—The term ‘new qualified plug-in electric drive motor vehicle’ means a motor vehicle (as defined in section 30(c)(2))—
“(A) the original use of which commences
with the taxpayer,
“(B) which is acquired for use or lease by
the taxpayer and not for resale,
“(C) which is made by a manufacturer,
“(D) which has a gross vehicle weight rat-
ing of less than 14,000 pounds,
“(E) which has received a certificate of
conformity under the Clean Air Act and meets
or exceeds the Bin 5 Tier II emission standard
established in regulations prescribed by the Ad-
ministrator of the Environmental Protection
Agency under section 202(i) of the Clean Air
Act for that make and model year vehicle, and
“(F) which is propelled to a significant ex-
tent by an electric motor which draws electricity
from a battery which—
“(i) has a capacity of not less than 4
kilowatt hours, and
“(ii) is capable of being recharged
from an external source of electricity.
“(2) EXCEPTION.—The term ‘new qualified
plug-in electric drive motor vehicle’ shall not include
any vehicle which is not a passenger automobile or
light truck if such vehicle has a gross vehicle weight rating of less than 8,500 pounds.

“(3) OTHER TERMS.—The terms ‘passenger automobile’, ‘light truck’, and ‘manufacturer’ have the meanings given such terms in regulations prescribed by the Administrator of the Environmental Protection Agency for purposes of the administration of title II of the Clean Air Act (42 U.S.C. 7521 et seq.).

“(4) BATTERY CAPACITY.—The term ‘capacity’ means, with respect to any battery, the quantity of electricity which the battery is capable of storing, expressed in kilowatt hours, as measured from a 100 percent state of charge to a 0 percent state of charge.

“(e) LIMITATION ON NUMBER OF NEW QUALIFIED PLUG-IN ELECTRIC DRIVE MOTOR VEHICLES ELIGIBLE FOR CREDIT.—

“(1) IN GENERAL.—In the case of a new qualified plug-in electric drive motor vehicle sold during the phaseout period, only the applicable percentage of the credit otherwise allowable under subsection (a) shall be allowed.

“(2) PHASEOUT PERIOD.—For purposes of this subsection, the phaseout period is the period begin-
ning with the second calendar quarter following the
calendar quarter which includes the first date on
which the number of new qualified plug-in electric
drive motor vehicles manufactured by the manufac-
turer of the vehicle referred to in paragraph (1) sold
for use in the United States after the date of the en-
actment of this section, is at least 60,000.

“(3) Applicable Percentage.—For purposes
of paragraph (1), the applicable percentage is—

“(A) 50 percent for the first 2 calendar
quarters of the phaseout period,

“(B) 25 percent for the 3d and 4th cal-
endar quarters of the phaseout period, and

“(C) 0 percent for each calendar quarter
thereafter.

“(4) Controlled Groups.—Rules similar to
the rules of section 30B(f)(4) shall apply for pur-
poses of this subsection.

“(f) Special Rules.—

“(1) Basis Reduction.—The basis of any
property for which a credit is allowable under sub-
section (a) shall be reduced by the amount of such
credit (determined without regard to subsection (c)).

“(2) RecapTURE.—The Secretary shall, by reg-
ulations, provide for recapturing the benefit of any
creditable allowable under subsection (a) with respect to any property which ceases to be property eligible for such credit.

“(3) Property used outside United States, etc., not qualified.—No credit shall be allowed under subsection (a) with respect to any property referred to in section 50(b)(1) or with respect to the portion of the cost of any property taken into account under section 179.

“(4) Election not to take credit.—No credit shall be allowed under subsection (a) for any vehicle if the taxpayer elects to not have this section apply to such vehicle.

“(5) Property used by tax-exempt entity; interaction with air quality and motor vehicle safety standards.—Rules similar to the rules of paragraphs (6) and (10) of section 30B(h) shall apply for purposes of this section.”.

(b) Coordination with alternative motor vehicle credit.—Section 30B(d)(3) is amended by adding at the end the following new subparagraph:

“(D) Exclusion of plug-in vehicles.—

Any vehicle with respect to which a credit is allowable under section 30D (determined without
regard to subsection (c) thereof) shall not be taken into account under this section.”.

(c) CREDIT MADE PART OF GENERAL BUSINESS CREDIT.—Section 38(b) is amended—

(1) by striking “plus” at the end of paragraph (32),

(2) by striking the period at the end of paragraph (33) and inserting “, plus”, and

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

“(34) the portion of the new qualified plug-in electric drive motor vehicle credit to which section 30D(e)(1) applies.”.

(d) CONFORMING AMENDMENTS.—

(1)(A) Section 24(b)(3)(B), as amended by section 104, is amended by striking “and 25D” and inserting “25D, and 30D”.

(B) Section 25(e)(1)(C)(ii) is amended by inserting “30D,” after “25D, ”.

(C) Section 25B(g)(2), as amended by section 104, is amended by striking “and 25D” and inserting “, 25D, and 30D”.

(D) Section 26(a)(1), as amended by section 104, is amended by striking “and 25D” and inserting “25D, and 30D”.
(E) Section 1400C(d)(2) is amended by striking “and 25D” and inserting “25D, and 30D”.

(2) Section 1016(a) is amended by striking “and” at the end of paragraph (35), by striking the period at the end of paragraph (36) and inserting “, and”, and by adding at the end the following new paragraph:

“(37) to the extent provided in section 30D(f)(1).”.

(3) Section 6501(m) is amended by inserting “30D(f)(4),” after “30C(e)(5),”.

(4) The table of sections for subpart B of part IV of subchapter A of chapter 1 is amended by adding at the end the following new item:

“Sec. 30D. New qualified plug-in electric drive motor vehicles.”.

(e) Treatment of Alternative Motor Vehicle Credit as a Personal Credit.—

(1) In General.—Paragraph (2) of section 30B(g) is amended to read as follows:

“(2) Personal Credit.—The credit allowed under subsection (a) for any taxable year (after application of paragraph (1)) shall be treated as a credit allowable under subpart A for such taxable year.”.

(2) Conforming Amendments.—
(A) Subparagraph (A) of section 30C(d)(2) is amended by striking “sections 27, 30, and 30B” and inserting “sections 27 and 30”.

(B) Paragraph (3) of section 55(c) is amended by striking “30B(g)(2),”.

(f) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this section shall apply to taxable years beginning after December 31, 2008.

(2) TREATMENT OF ALTERNATIVE MOTOR VEHICLE CREDIT AS PERSONAL CREDIT.—The amendments made by subsection (e) shall apply to taxable years beginning after December 31, 2007.

(g) APPLICATION OF EGTRRA SUNSET.—The amendment made by subsection (d)(1)(A) shall be subject to title IX of the Economic Growth and Tax Relief Reconciliation Act of 2001 in the same manner as the provision of such Act to which such amendment relates.

SEC. 125. EXCLUSION FROM HEAVY TRUCK TAX FOR IDLING REDUCTION UNITS AND ADVANCED INSULATION.

(a) IN GENERAL.—Section 4053 is amended by adding at the end the following new paragraphs:
“(9) **Idling Reduction Device.**—Any device
    or system of devices which—

    “(A) is designed to provide to a vehicle
    those services (such as heat, air conditioning, or
    electricity) that would otherwise require the op-
    eration of the main drive engine while the vehi-
    cle is temporarily parked or remains stationary
    using one or more devices affixed to a tractor,
    and

    “(B) is determined by the Administrator of
    the Environmental Protection Agency, in con-
    sultation with the Secretary of Energy and the
    Secretary of Transportation, to reduce idling of
    such vehicle at a motor vehicle rest stop or
    other location where such vehicles are tempo-
    rarily parked or remain stationary.

    “(10) **Advanced Insulation.**—Any insulation
    that has an R value of not less than R35 per inch.”.

(b) **Effective Date.**—The amendment made by
this section shall apply to sales or installations after the
date of the enactment of this Act.

**SEC. 126. TRANSPORTATION FRINGE BENEFIT TO BICYCLE
COMMUTERS.**

(a) **In General.**—Paragraph (1) of section 132(f)
is amended by adding at the end the following:
“(D) Any qualified bicycle commuting reimbursement.”.

(b) LIMITATION ON EXCLUSION.—Paragraph (2) of section 132(f) is amended by striking “and” at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting “, and”, and by adding at the end the following new subparagraph:

“(C) the applicable annual limitation in the case of any qualified bicycle commuting reimbursement.”.

(c) DEFINITIONS.—Paragraph (5) of section 132(f) is amended by adding at the end the following:

“(F) DEFINITIONS RELATED TO BICYCLE COMMUTING REIMBURSEMENT.—

“(i) QUALIFIED BICYCLE COMMUTING REIMBURSEMENT.—The term ‘qualified bicycle commuting reimbursement’ means, with respect to any calendar year, any employer reimbursement during the 15-month period beginning with the first day of such calendar year for reasonable expenses incurred by the employee during such calendar year for the purchase of a bicycle and bicycle improvements, repair, and storage, if such bicycle is regularly used for
travel between the employee’s residence
and place of employment.

“(ii) APPLICABLE ANNUAL LIMITATION.—The term ‘applicable annual limitation’ means, with respect to any employee
for any calendar year, the product of $20 multiplied by the number of qualified bicycle commuting months during such year.

“(iii) QUALIFIED BICYCLE COMMUTING MONTH.—The term ‘qualified bicycle commuting month’ means, with respect to any employee, any month during
which such employee—

“(I) regularly uses the bicycle for
a substantial portion of the travel be-
tween the employee’s residence and
place of employment, and

“(II) does not receive any benefit
described in subparagraph (A), (B),
or (C) of paragraph (1).”.

(d) CONSTRUCTIVE RECEIPT OF BENEFIT.—Para-
graph (4) of section 132(f) is amended by inserting
“(other than a qualified bicycle commuting reimburse-
ment)” after “qualified transportation fringe”. 
74
1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 December 31, 2008.
4
5 SEC. 127. ALTERNATIVE FUEL VEHICLE REFUELING PRO-
6PERTY CREDIT.
7
8 (a) INCREASE IN CREDIT AMOUNT.—Section 30C is
9 amended—
10
11 (1) by striking “30 percent” in subsection (a)
12 and inserting “50 percent”, and
13
14 (2) by striking “$30,000” in subsection (b)(1)
15 and inserting “$50,000”.
16
17 (b) EXTENSION OF CREDIT.—Paragraph (2) of sec-
18 tion 30C(g) is amended by striking “December 31, 2009”
19 and inserting “December 31, 2010”.
20
21 (c) EFFECTIVE DATE.—The amendments made by
22 this section shall apply to property placed in service after
23 the date of the enactment of this Act, in taxable years
24 ending after such date.
75
SEC. 128. CERTAIN INCOME AND GAINS RELATING TO ALCOHOL FUELS AND MIXTURES, BIODIESEL FUELS AND MIXTURES, AND ALTERNATIVE FUELS AND MIXTURES TREATED AS QUALIFYING INCOME FOR PUBLICLY TRADED PARTNERSHIPS.

(a) IN GENERAL.—Subparagraph (E) of section 7704(d)(1) is amended by inserting “, or the transportation, storage, or marketing of any fuel described in subsection (b), (c), (d), or (e) of section 6426, or any alcohol fuel defined in section 6426(b)(4)(A) or any biodiesel fuel as defined in section 40A(d)(1)” after “timber”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2011.

SEC. 141. QUALIFIED ENERGY CONSERVATION BONDS.

(a) IN GENERAL.—Subpart I of part IV of subchapter A of chapter 1, as amended by section 106, is amended by adding at the end the following new section:

“SEC. 54D. QUALIFIED ENERGY CONSERVATION BONDS.

“(a) QUALIFIED ENERGY CONSERVATION BOND.—For purposes of this subchapter, the term ‘qualified energy conservation bond’ means any bond issued as part of an issue if—
“(1) 100 percent of the available project proceeds of such issue are to be used for one or more qualified conservation purposes,

“(2) the bond is issued by a State or local government, and

“(3) the issuer designates such bond for purposes of this section.

“(b) REDUCED CREDIT AMOUNT.—The annual credit determined under section 54A(b) with respect to any qualified energy conservation bond shall be 70 percent of the amount so determined without regard to this subsection.

“(c) LIMITATION ON AMOUNT OF BONDS DESIGNATED.—The maximum aggregate face amount of bonds which may be designated under subsection (a) by any issuer shall not exceed the limitation amount allocated to such issuer under subsection (e).

“(d) NATIONAL LIMITATION ON AMOUNT OF BONDS DESIGNATED.—There is a national qualified energy conservation bond limitation of $3,000,000,000.

“(e) ALLOCATIONS.—

“(1) IN GENERAL.—The limitation applicable under subsection (d) shall be allocated by the Secretary among the States in proportion to the population of the States.
“(2) Allocations to largest local governments.—

“(A) In general.—In the case of any State in which there is a large local government, each such local government shall be allocated a portion of such State’s allocation which bears the same ratio to the State’s allocation (determined without regard to this subparagraph) as the population of such large local government bears to the population of such State.

“(B) Allocation of unused limitation to State.—The amount allocated under this subsection to a large local government may be reallocated by such local government to the State in which such local government is located.

“(C) Large local government.—For purposes of this section, the term ‘large local government’ means any municipality or county if such municipality or county has a population of 100,000 or more.

“(3) Allocation to issuers; restriction on private activity bonds.—Any allocation under this subsection to a State or large local government shall be allocated by such State or large
local government to issuers within the State in a manner that results in not less than 70 percent of the allocation to such State or large local government being used to designate bonds which are not private activity bonds.

“(f) QUALIFIED CONSERVATION PURPOSE.—For purposes of this section—

“(1) IN GENERAL.—The term ‘qualified conservation purpose’ means any of the following:

“(A) Capital expenditures incurred for purposes of—

“(i) reducing energy consumption in publicly-owned buildings by at least 20 percent,

“(ii) implementing green community programs,

“(iii) rural development involving the production of electricity from renewable energy resources, or

“(iv) any qualified facility (as determined under section 45(d) without regard to paragraphs (8) and (10) thereof and without regard to any placed in service date).
“(B) Expenditures with respect to research facilities, and research grants, to support re-
search in—

“(i) development of cellulosic ethanol or other nonfossil fuels,

“(ii) technologies for the capture and sequestration of carbon dioxide produced through the use of fossil fuels,

“(iii) increasing the efficiency of existing technologies for producing nonfossil fuels,

“(iv) automobile battery technologies and other technologies to reduce fossil fuel consumption in transportation, or

“(v) technologies to reduce energy use in buildings.

“(C) Mass commuting facilities and related facilities that reduce the consumption of energy, including expenditures to reduce pollution from vehicles used for mass commuting.

“(D) Demonstration projects designed to promote the commercialization of—

“(i) green building technology,
“(ii) conversion of agricultural waste
for use in the production of fuel or other-
wise,
“(iii) advanced battery manufacturing

technologies,
“(iv) technologies to reduce peak use
of electricity, or
“(v) technologies for the capture and
sequestration of carbon dioxide emitted
from combusting fossil fuels in order to
produce electricity.
“(E) Public education campaigns to pro-
mote energy efficiency.
“(2) SPECIAL RULES FOR PRIVATE ACTIVITY
bonds.—For purposes of this section, in the case of
any private activity bond, the term ‘qualified con-
servation purposes’ shall not include any expenditure
which is not a capital expenditure.
“(g) POPULATION.—
“(1) IN GENERAL.—The population of any
State or local government shall be determined for
purposes of this section as provided in section 146(j)
for the calendar year which includes the date of the
enactment of this section.
“(2) SPECIAL RULE FOR COUNTIES.—In determining the population of any county for purposes of this section, any population of such county which is taken into account in determining the population of any municipality which is a large local government shall not be taken into account in determining the population of such county.

“(h) APPLICATION TO INDIAN TRIBAL GOVERNMENTS.—An Indian tribal government shall be treated for purposes of this section in the same manner as a large local government, except that—

“(1) an Indian tribal government shall be treated for purposes of subsection (e) as located within a State to the extent of so much of the population of such government as resides within such State, and

“(2) any bond issued by an Indian tribal government shall be treated as a qualified energy conservation bond only if issued as part of an issue the available project proceeds of which are used for purposes for which such Indian tribal government could issue bonds to which section 103(a) applies.”.

(b) CONFORMING AMENDMENTS.—

(1) Paragraph (1) of section 54A(d), as amended by section 106, is amended to read as follows:
“(1) QUALIFIED TAX CREDIT BOND.—The term ‘qualified tax credit bond’ means—

“(A) a qualified forestry conservation bond,

“(B) a new clean renewable energy bond,

or

“(C) a qualified energy conservation bond, which is part of an issue that meets requirements of paragraphs (2), (3), (4), (5), and (6).”.

(2) Subparagraph (C) of section 54A(d)(2), as amended by section 106, is amended to read as follows:

“(C) QUALIFIED PURPOSE.—For purposes of this paragraph, the term ‘qualified purpose’ means—

“(i) in the case of a qualified forestry conservation bond, a purpose specified in section 54B(e),

“(ii) in the case of a new clean renewable energy bond, a purpose specified in section 54C(a)(1), and

“(iii) in the case of a qualified energy conservation bond, a purpose specified in section 54D(a)(1).”.
(3) The table of sections for subpart I of part IV of subchapter A of chapter 1 is amended by adding at the end the following new item:

"Sec. 54D. Qualified energy conservation bonds."

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

SEC. 142. CREDIT FOR NONBUSINESS ENERGY PROPERTY.

(a) Extension of Credit.—Section 25C(g) is amended by striking "December 31, 2007" and inserting "December 31, 2008".

(b) Qualified Biomass Fuel Property.—

(1) In General.—Section 25C(d)(3) is amended—

(A) by striking "and" at the end of subparagraph (D),

(B) by striking the period at the end of subparagraph (E) and inserting "; and", and

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

"(F) a stove which uses the burning of biomass fuel to heat a dwelling unit located in the United States and used as a residence by the taxpayer, or to heat water for use in such a dwelling unit, and which has a thermal efficiency rating of at least 75 percent."

(2) BIOMASS FUEL.—Section 25C(d) is amended by adding at the end the following new paragraph:

“(6) BIOMASS FUEL.—The term ‘biomass fuel’ means any plant-derived fuel available on a renewable or recurring basis, including agricultural crops and trees, wood and wood waste and residues (including wood pellets), plants (including aquatic plants), grasses, residues, and fibers.”.

(c) MODIFICATION OF WATER HEATER REQUIREMENTS.—Section 25C(d)(3)(E) is amended by inserting “or a thermal efficiency of at least 90 percent” after “0.80”.

(d) COORDINATION WITH CREDIT FOR QUALIFIED GEOTHERMAL HEAT PUMP PROPERTY EXPENDITURES.—

(1) IN GENERAL.—Paragraph (3) of section 25C(d), as amended by subsections (b) and (c), is amended by striking subparagraph (C) and by redesignating subparagraphs (D), (E), and (F) as subparagraphs (C), (D), and (E), respectively.

(2) CONFORMING AMENDMENT.—Subparagraph (C) of section 25C(d)(2) is amended to read as follows:

“(C) REQUIREMENTS AND STANDARDS FOR AIR CONDITIONERS AND HEAT PUMPS.—
The standards and requirements prescribed by the Secretary under subparagraph (B) with respect to the energy efficiency ratio (EER) for central air conditioners and electric heat pumps—

“(i) shall require measurements to be based on published data which is tested by manufacturers at 95 degrees Fahrenheit, and

“(ii) may be based on the certified data of the Air Conditioning and Refrigeration Institute that are prepared in partnership with the Consortium for Energy Efficiency.”.

(e) Modification of Qualified Energy Efficiency Improvements.—

(1) In general.—Paragraph (1) of section 25C(c) is amended by inserting “, or an asphalt roof with appropriate cooling granules,” before “which meet the Energy Star program requirements”.

(2) Building envelope component.—Subparagraph (D) of section 25C(c)(2) is amended—

(A) by inserting “or asphalt roof” after “metal roof”, and
(B) by inserting “or cooling granules” after “pigmented coatings”.

(f) Effective Dates.—

(1) In General.—Except as provided in paragraph (2), the amendments made this section shall apply to expenditures made after December 31, 2007.

(2) Modification of Qualified Energy Efficiency Improvements.—The amendments made by subsection (e) shall apply to property placed in service after the date of the enactment of this Act.

SEC. 143. ENERGY EFFICIENT COMMERCIAL BUILDINGS DEDUCTION.

Subsection (h) of section 179D is amended by striking “December 31, 2008” and inserting “December 31, 2013”.

SEC. 144. MODIFICATIONS OF ENERGY EFFICIENT APPLIANCE CREDIT FOR APPLIANCES PRODUCED AFTER 2007.

(a) In General.—Subsection (b) of section 45M is amended to read as follows:

“(b) Applicable Amount.—For purposes of subsection (a)—

“(1) Dishwashers.—The applicable amount is—
“(A) $45 in the case of a dishwasher which
is manufactured in calendar year 2008 or 2009
and which uses no more than 324 kilowatt
hours per year and 5.8 gallons per cycle, and

“(B) $75 in the case of a dishwasher
which is manufactured in calendar year 2008,
2009, or 2010 and which uses no more than
307 kilowatt hours per year and 5.0 gallons per
cycle (5.5 gallons per cycle for dishwashers de-
dsigned for greater than 12 place settings).

“(2) CLOTHES WASHERS.—The applicable
amount is—

“(A) $75 in the case of a residential top-
loading clothes washer manufactured in cal-
endar year 2008 which meets or exceeds a 1.72
modified energy factor and does not exceed a
8.0 water consumption factor,

“(B) $125 in the case of a residential top-
loading clothes washer manufactured in cal-
endar year 2008 or 2009 which meets or ex-
ceds a 1.8 modified energy factor and does not
exceed a 7.5 water consumption factor,

“(C) $150 in the case of a residential or
commercial clothes washer manufactured in cal-
endar year 2008, 2009, or 2010 which meets or
exceeds 2.0 modified energy factor and does not exceed a 6.0 water consumption factor, and

“(D) $250 in the case of a residential or commercial clothes washer manufactured in calendar year 2008, 2009, or 2010 which meets or exceeds 2.2 modified energy factor and does not exceed a 4.5 water consumption factor.

“(3) REFRIGERATORS.—The applicable amount is—

“(A) $50 in the case of a refrigerator which is manufactured in calendar year 2008, and consumes at least 20 percent but not more than 22.9 percent less kilowatt hours per year than the 2001 energy conservation standards,

“(B) $75 in the case of a refrigerator which is manufactured in calendar year 2008 or 2009, and consumes at least 23 percent but no more than 24.9 percent less kilowatt hours per year than the 2001 energy conservation standards,

“(C) $100 in the case of a refrigerator which is manufactured in calendar year 2008, 2009, or 2010, and consumes at least 25 percent but not more than 29.9 percent less kilo-
watt hours per year than the 2001 energy conservation standards, and

“(D) $200 in the case of a refrigerator manufactured in calendar year 2008, 2009, or 2010 and which consumes at least 30 percent less energy than the 2001 energy conservation standards.”.

(b) **Eligible Production.**—

(1) **Similar treatment for all appliances.**—Subsection (c) of section 45M is amended—

(A) by striking paragraph (2),

(B) by striking “(1) IN GENERAL” and all that follows through “the eligible” and inserting “The eligible”,

(C) by moving the text of such subsection in line with the subsection heading, and

(D) by redesignating subparagraphs (A) and (B) as paragraphs (1) and (2), respectively, and by moving such paragraphs 2 ems to the left.

(2) **Modification of base period.**—Paragraph (2) of section 45M(c), as amended by paragraph (1), is amended by striking “3-calendar year” and inserting “2-calendar year”.
(c) Types of Energy Efficient Appliances.—

Subsection (d) of section 45M is amended to read as follows:

“(d) Types of Energy Efficient Appliance.—

For purposes of this section, the types of energy efficient appliances are—

“(1) dishwashers described in subsection (b)(1),

“(2) clothes washers described in subsection (b)(2), and

“(3) refrigerators described in subsection (b)(3).”.

(d) Aggregate Credit Amount Allowed.—

(1) Increase in Limit.—Paragraph (1) of section 45M(e) is amended to read as follows:

“(1) Aggregate credit amount allowed.—

The aggregate amount of credit allowed under subsection (a) with respect to a taxpayer for any taxable year shall not exceed $75,000,000 reduced by the amount of the credit allowed under subsection (a) to the taxpayer (or any predecessor) for all prior taxable years beginning after December 31, 2007.”.

(2) Exception for Certain Refrigerator and Clothes Washers.—Paragraph (2) of section 45M(e) is amended to read as follows:
(2) Amount allowed for certain refrigerators and clothes washers.—Refrigerators described in subsection (b)(3)(D) and clothes washers described in subsection (b)(2)(D) shall not be taken into account under paragraph (1).

(e) Qualified Energy Efficient Appliances.—

(1) In general.—Paragraph (1) of section 45M(f) is amended to read as follows:

“(1) Qualified energy efficient appliance.—The term ‘qualified energy efficient appliance’ means—

“(A) any dishwasher described in subsection (b)(1),

“(B) any clothes washer described in subsection (b)(2), and

“(C) any refrigerator described in subsection (b)(3).”.

(2) Clothes washer.—Section 45M(f)(3) is amended by inserting “commercial” before “residential” the second place it appears.

(3) Top-loading clothes washer.—Subsection (f) of section 45M is amended by redesignating paragraphs (4), (5), (6), and (7) as paragraphs (5), (6), (7), and (8), respectively, and by in-
serting after paragraph (3) the following new paragraph:

“(4) **TOP-LOADING CLOTHES WASHER.**—The term ‘top-loading clothes washer’ means a clothes washer which has the clothes container compartment access located on the top of the machine and which operates on a vertical axis.”.

(4) **REPLACEMENT OF ENERGY FACTOR.**—Section 45M(f)(6), as redesignated by paragraph (3), is amended to read as follows:

“(6) **MODIFIED ENERGY FACTOR.**—The term ‘modified energy factor’ means the modified energy factor established by the Department of Energy for compliance with the Federal energy conservation standard.”.

(5) **GALLONS PER CYCLE; WATER CONSUMPTION FACTOR.**—Section 45M(f), as amended by paragraph (3), is amended by adding at the end the following:

“(9) **GALLONS PER CYCLE.**—The term ‘gallons per cycle’ means, with respect to a dishwasher, the amount of water, expressed in gallons, required to complete a normal cycle of a dishwasher.

“(10) **WATER CONSUMPTION FACTOR.**—The term ‘water consumption factor’ means, with respect
to a clothes washer, the quotient of the total weight-
ed per-cycle water consumption divided by the cubic
foot (or liter) capacity of the clothes washer.”.

(f) Effective Date.—The amendments made by
this section shall apply to appliances produced after De-

SEC. 145. ACCELERATED RECOVERY PERIOD FOR DEPRE-
CIATION OF SMART METERS AND SMART
GRID SYSTEMS.

(a) In General.—Section 168(e)(3)(D) is amended
by striking “and” at the end of clause (i), by striking the
period at the end of clause (ii) and inserting a comma,
and by inserting after clause (ii) the following new clauses:

“(iii) any qualified smart electric
meter, and

“(iv) any qualified smart electric grid
system.”.

(b) Definitions.—Section 168(i) is amended by in-
serting at the end the following new paragraph:

“(18) Qualified smart electric meters.—

“(A) In general.—The term ‘qualified
smart electric meter’ means any smart electric
meter which is placed in service by a taxpayer
who is a supplier of electric energy or a pro-
vider of electric energy services.
“(B) SMART ELECTRIC METER.—For purposes of subparagraph (A), the term ‘smart electric meter’ means any time-based meter and related communication equipment which is capable of being used by the taxpayer as part of a system that—

“(i) measures and records electricity usage data on a time-differentiated basis in at least 24 separate time segments per day,

“(ii) provides for the exchange of information between supplier or provider and the customer’s electric meter in support of time-based rates or other forms of demand response,

“(iii) provides data to such supplier or provider so that the supplier or provider can provide energy usage information to customers electronically, and

“(iv) provides net metering.

“(19) QUALIFIED SMART ELECTRIC GRID SYSTEMS.—

“(A) IN GENERAL.—The term ‘qualified smart electric grid system’ means any smart grid property used as part of a system for elec-
electric distribution grid communications, monitoring, and management placed in service by a taxpayer who is a supplier of electric energy or a provider of electric energy services.

“(B) SMART GRID PROPERTY.—For the purposes of subparagraph (A), the term ‘smart grid property’ means electronics and related equipment that is capable of—

“(i) sensing, collecting, and monitoring data of or from all portions of a utility’s electric distribution grid,

“(ii) providing real-time, two-way communications to monitor or manage such grid, and

“(iii) providing real time analysis of and event prediction based upon collected data that can be used to improve electric distribution system reliability, quality, and performance.”.

(c) CONTINUED APPLICATION OF 150 PERCENT DECLINING BALANCE METHOD.—Paragraph (2) of section 168(b) is amended by striking “or” at the end of subparagraph (B), by redesignating subparagraph (C) as subparagraph (D), and by inserting after subparagraph (B) the following new subparagraph:
“(C) any property (other than property described in paragraph (3)) which is a qualified smart electric meter or qualified smart electric grid system, or”.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to property placed in service after the date of the enactment of this Act.

SEC. 146. QUALIFIED GREEN BUILDING AND SUSTAINABLE DESIGN PROJECTS.

(a) IN GENERAL.—Paragraph (8) of section 142(l) is amended by striking “September 30, 2009” and inserting “September 30, 2012”.

(b) TREATMENT OF CURRENT REFUNDING BONDS.—Paragraph (9) of section 142(l) is amended by striking “October 1, 2009” and inserting “October 1, 2012”.

(c) ACCOUNTABILITY.—The second sentence of section 701(d) of the American Jobs Creation Act of 2004 is amended by striking “issuance,” and inserting “issuance of the last issue with respect to such project,.”.

SEC. 147. SPECIAL DEPRECIATION ALLOWANCE FOR CERTAIN REUSE AND RECYCLING PROPERTY.

(a) IN GENERAL.—Section 168 is amended by adding at the end the following new subsection:
“(m) Special Allowance for Certain Reuse and Recycling Property.—

“(1) In general.—In the case of any qualified reuse and recycling property—

“(A) the depreciation deduction provided by section 167(a) for the taxable year in which such property is placed in service shall include an allowance equal to 50 percent of the adjusted basis of the qualified reuse and recycling property, and

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

“(2) Qualified Reuse and Recycling Property.—For purposes of this subsection—

“(A) In general.—The term ‘qualified reuse and recycling property’ means any reuse and recycling property—

“(i) to which this section applies,

“(ii) which has a useful life of at least 5 years,
“(iii) the original use of which commences with the taxpayer after December 31, 2007, and

“(iv) which is—

“(I) acquired by purchase (as defined in section 179(d)(2)) by the taxpayer after December 31, 2007, but only if no written binding contract for the acquisition was in effect before January 1, 2008, or

“(II) acquired by the taxpayer pursuant to a written binding contract which was entered into after December 31, 2007.

“(B) Exceptions.—

“(i) Bonus Depreciation Property under Subsection (k).—The term ‘qualified reuse and recycling property’ shall not include any property to which section 168(k) applies.

“(ii) Alternative Depreciation Property.—The term ‘qualified reuse and recycling property’ shall not include any property to which the alternative depreciation system under subsection (g) applies,
determined without regard to paragraph (7) of subsection (g) (relating to election to have system apply).

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

“(C) Special rule for self-constructed property.—In the case of a taxpayer manufacturing, constructing, or producing property for the taxpayer’s own use, the requirements of clause (iv) of subparagraph (A) shall be treated as met if the taxpayer begins manufacturing, constructing, or producing the property after December 31, 2007.

“(D) Deduction allowed in computing minimum tax.—For purposes of determining alternative minimum taxable income under section 55, the deduction under subsection (a) for qualified reuse and recycling property shall be determined under this section without regard to any adjustment under section 56.
“(3) Definitions.—For purposes of this subsection—

“(A) Reuse and recycling property.—

“(i) In general.—The term ‘reuse and recycling property’ means any machinery and equipment (not including buildings or real estate), along with all appurtenances thereto, including software necessary to operate such equipment, which is used exclusively to collect, distribute, or recycle qualified reuse and recyclable materials.

“(ii) Exclusion.—Such term does not include rolling stock or other equipment used to transport reuse and recyclable materials.

“(B) Qualified reuse and recyclable materials.—

“(i) In general.—The term ‘qualified reuse and recyclable materials’ means scrap plastic, scrap glass, scrap textiles, scrap rubber, scrap packaging, recovered fiber, scrap ferrous and nonferrous metals, or electronic scrap generated by an individual or business.
“(ii) ELECTRONIC SCRAP.—For purposes of clause (i), the term ‘electronic scrap’ means—

“(I) any cathode ray tube, flat panel screen, or similar video display device with a screen size greater than 4 inches measured diagonally, or

“(II) any central processing unit.

“(C) RECYCLING OR RECYCLE.—The term ‘recycling’ or ‘recycle’ means that process (including sorting) by which worn or superfluous materials are manufactured or processed into specification grade commodities that are suitable for use as a replacement or substitute for virgin materials in manufacturing tangible consumer and commercial products, including packaging.”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to property placed in service after December 31, 2007.
TITLE II—ONE-YEAR EXTENSION OF TEMPORARY PROVISIONS
Subtitle A—Alternative Minimum Tax

SEC. 201. EXTENSION OF ALTERNATIVE MINIMUM TAX RELIEF FOR NONREFUNDABLE PERSONAL CREDITS.
(a) In General.—Paragraph (2) of section 26(a) is amended—
(1) by striking “or 2007” and inserting “2007, or 2008”, and
(2) by striking “2007” in the heading thereof and inserting “2008”.

(b) Effective Date.—The amendments made by this section shall apply to taxable years beginning after December 31, 2007.

SEC. 202. EXTENSION OF INCREASED ALTERNATIVE MINIMUM TAX EXEMPTION AMOUNT.
(a) In General.—Paragraph (1) of section 55(d) is amended—
(1) by striking “($66,250 in the case of taxable years beginning in 2007)” in subparagraph (A) and inserting “($69,950 in the case of taxable years beginning in 2008)”, and
(2) by striking "($44,350 in the case of taxable years beginning in 2007)" in subparagraph (B) and inserting "($46,200 in the case of taxable years beginning in 2008)".

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

SEC. 203. INCREASE OF AMT REFUNDABLE CREDIT AMOUNT FOR INDIVIDUALS WITH LONG-TERM UNUSED CREDITS FOR PRIOR YEAR MINIMUM TAX LIABILITY, ETC.

(a) IN GENERAL.—Paragraph (2) of section 53(e) is amended to read as follows:

"(2) AMT REFUNDABLE CREDIT AMOUNT.—

For purposes of paragraph (1), the term ‘AMT refundable 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—

"(A) 50 percent of the long-term unused minimum tax credit for such taxable year, or

"(B) the amount (if any) of the AMT refundable credit amount for the taxpayer’s preceding taxable year (determined without regard to subsection (f)(2))."
(b) TREATMENT OF CERTAIN UNDERPAYMENTS, INTEREST, AND PENALTIES ATTRIBUTABLE TO THE TREATMENT OF INCENTIVE STOCK OPTIONS.—Section 53 is amended by adding at the end the following new subsection:

“(f) TREATMENT OF CERTAIN UNDERPAYMENTS, INTEREST, AND PENALTIES ATTRIBUTABLE TO THE TREATMENT OF INCENTIVE STOCK OPTIONS.—

“(1) ABATEMENT.—Any underpayment of tax outstanding on the date of the enactment of this subsection which is attributable to the application of section 56(b)(3) for any taxable year ending before January 1, 2008 (and any interest or penalty with respect to such underpayment which is outstanding on such date of enactment), is hereby abated. The amount determined under subsection (b)(1) shall not include any tax abated under the preceding sentence.

“(2) INCREASE IN CREDIT FOR CERTAIN INTEREST AND PENALTIES ALREADY PAID.—The AMT refundable credit amount, and the minimum tax credit determined under subsection (b), for the taxpayer’s first 2 taxable years beginning after December 31, 2007, shall each be increased by 50 percent of the aggregate amount of the interest and penalties which were paid by the taxpayer before the date of
the enactment of this subsection and which would
(but for such payment) have been abated under
paragraph (1).”.

(c) Effective Date.—

(1) In General.—Except as provided in para-
graph (2), the amendment made by this section shall
apply to taxable years beginning after December 31,
2007.

(2) Abatement.—Section 53(f)(1), as added
by subsection (b), shall take effect on the date of the
enactment of this Act.

Subtitle B—Extensions Primarily
Affecting Individuals

Sec. 211. Deduction for State and Local Sales
Taxes.

(a) In General.—Subparagraph (I) of section
164(b)(5) is amended by striking “January 1, 2008” and
inserting “January 1, 2009”.

(b) Effective Date.—The amendment made by
this section shall apply to taxable years beginning after
SEC. 212. DEDUCTION OF QUALIFIED TUITION AND RELATED EXPENSES.

(a) In General.—Subsection (e) of section 222 is amended by striking “December 31, 2007” and inserting “December 31, 2008”.

(b) Effective Date.—The amendment made by this section shall apply to taxable years beginning after December 31, 2007.

SEC. 213. TREATMENT OF CERTAIN DIVIDENDS OF REGULATED INVESTMENT COMPANIES.

(a) Interest-Related Dividends.—Subparagraph (C) of section 871(k)(1) is amended by striking “December 31, 2007” and inserting “December 31, 2008”.

(b) Short-Term Capital Gain Dividends.—Subparagraph (C) of section 871(k)(2) is amended by striking “December 31, 2007” and inserting “December 31, 2008”.

(c) Effective Date.—The amendments made by this section shall apply to dividends with respect to taxable years of regulated investment companies beginning after December 31, 2007.
SEC. 214. TAX-FREE DISTRIBUTIONS FROM INDIVIDUAL RETIREMENT PLANS FOR CHARITABLE PURPOSES.

(a) In General.—Subparagraph (F) of section 408(d)(8) is amended by striking “December 31, 2007” and inserting “December 31, 2008”.

(b) Effective Date.—The amendment made by this section shall apply to distributions made in taxable years beginning after December 31, 2007.

SEC. 215. DEDUCTION FOR CERTAIN EXPENSES OF ELEMENTARY AND SECONDARY SCHOOL TEACHERS.

(a) In General.—Subparagraph (D) of section 62(a)(2) is amended by striking “or 2007” and inserting “2007, or 2008”.

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

SEC. 216. STOCK IN RIC FOR PURPOSES OF DETERMINING ESTATES OF NONRESIDENTS NOT CITIZENS.

(a) In General.—Paragraph (3) of section 2105(d) is amended by striking “December 31, 2007” and inserting “December 31, 2008”.

(b) Effective Date.—The amendment made by this section shall apply to decedents dying after December 31, 2007.
SEC. 217. QUALIFIED INVESTMENT ENTITIES.

(a) In General.—Clause (ii) of section 897(h)(4)(A) is amended by striking “December 31, 2007” and inserting “December 31, 2008”.

(b) Effective Date.—The amendment made by subsection (a) shall take effect on January 1, 2008, except that such amendment shall not apply to the application of withholding requirements with respect to any payment made on or before the date of the enactment of this Act.

SEC. 218. EXCLUSION OF AMOUNTS RECEIVED UNDER QUALIFIED GROUP LEGAL SERVICES PLANS.

(a) In General.—Subsection (e) of section 120 is amended by striking “shall not apply to taxable years beginning after June 30, 1992” and inserting “shall apply to taxable years beginning after December 31, 2007, and before January 1, 2009”.

(b) Effective Date.—The amendments made by this section shall apply to taxable years beginning after December 31, 2007.

Subtitle C—Extensions Primarily Affecting Businesses

SEC. 221. EXTENSION AND MODIFICATION OF RESEARCH CREDIT.

(a) Extension.—Section 41(h)(1)(B) is amended by striking “December 31, 2007” and inserting “December 31, 2008”.
(b) **Termination of Alternative Incremental Credit.**—Paragraph (4) of section 41(e) is repealed.

(c) **Modification of Alternative Simplified Credit.**—Section 41(c)(5)(A) is amended by striking “12 percent” and inserting “14 percent”.

(d) **Conforming Amendment.**—Subparagraph (D) of section 45C(b)(1) is amended by striking “December 31, 2007” and inserting “December 31, 2008”.

(e) **Technical Correction.**—Paragraph (3) of section 41(h) is amended to read as follows:

“(2) **Computation for taxable year in which credit terminates.**—In the case of any taxable year with respect to which this section applies to a number of days which is less than the total number of days in such taxable year—

“(A) the amount determined under subsection (c)(1)(B) with respect to such taxable year shall be the amount which bears the same ratio to such amount (determined without regard to this paragraph) as the number of days in such taxable year to which this section applies bears to the total number of days in such taxable year, and

“(B) for purposes of subsection (c)(5), the average qualified research expenses for the pre-
ceding 3 taxable years shall be the amount which bears the same ratio to such average qualified research expenses (determined without regard to this paragraph) as the number of days in such taxable year to which this section applies bears to the total number of days in such taxable year.”.

(f) Effective Dates.—

(1) In general.—Except as provided in paragraph (2), the amendments made by this section shall apply to amounts paid or incurred after December 31, 2007.

(2) Alternative incremental and simplified credits and technical amendment.—The repeal made by subsection (b) and the amendments made by subsections (c) and (e) shall apply to taxable years beginning after December 31, 2007.

SEC. 222. INDIAN EMPLOYMENT CREDIT.

(a) In general.—Subsection (f) of section 45A is amended by striking “December 31, 2007” and inserting “December 31, 2008”.

(b) Effective date.—The amendment made by this section shall apply to taxable years beginning after December 31, 2007.
SEC. 223. EXTENSION AND MODIFICATION OF NEW MARKETS TAX CREDIT.

(a) Extension.—Subparagraph (D) of section 45D(f)(1) is amended by striking “and 2008” and inserting “2008, and 2009”.

(b) Expansion of Definition of Low-Income Community for New Markets Tax Credit.—

(1) In general.—Section 45D(e) is amended by adding at the end the following new paragraph:

“(6) Certain counties treated as low-income communities.—

“(A) In general.—The term ‘low-income community’ shall include any county if such county—

“(i) has a decennial average annual wage which is at or below 75 percent of the national decennial average annual wage, and

“(ii) is located in a State the decennial average annual wage of which is at or below 75 percent of the national decennial average annual wage.

“(B) Decennial average annual wage.—For purposes of subparagraph (A), the term ‘decennial average annual wage’ means the average wage, as determined based on data
from the Bureau of Labor Statistics, for the
year in which the most recent decennial census
was taken.”.

(2) Effective date.—The amendment made
by this subsection shall apply to investments made
after the date of the enactment of this Act.

SEC. 224. RAILROAD TRACK MAINTENANCE.

(a) In general.—Subsection (f) of section 45G is
amended by striking “January 1, 2008” and inserting
“January 1, 2009”.

(b) Credit allowed against alternative minimum tax.—Subparagraph (B) of section 38(c)(4), as
amended by the Housing Assistance Tax Act of 2008 and
by section 103, is amended—

(1) by redesignating clauses (v), (vi), and (vii)
as clauses (vi), (vii), and (viii), respectively, and

(2) by inserting after clause (iv) the following
new clause:

“(v) the credit determined under sec-
tion 45G,”.

(c) Effective dates.—

(1) The amendment made by subsection (a)
shall apply to expenditures paid or incurred during
taxable years beginning after December 31, 2007.
(2) The amendments made by subsection (b) shall apply to credits determined under section 45G of the Internal Revenue Code of 1986 in taxable years beginning after December 31, 2007, and to carrybacks of such credits.

SEC. 225. EXTENSION OF MINE RESCUE TEAM TRAINING CREDIT.

Section 45N(e) is amended by striking “December 31, 2008” and inserting “December 31, 2009”.

SEC. 226. EXTENSION OF 15-YEAR STRAIGHT-LINE COST RECOVERY FOR QUALIFIED LEASEHOLD IMPROVEMENTS AND QUALIFIED RESTAURANT IMPROVEMENTS; 15-YEAR STRAIGHT-LINE COST RECOVERY FOR CERTAIN IMPROVEMENTS TO RETAIL SPACE.

(a) Extension of Leasehold and Restaurant Improvements.—

(1) In general.—Clauses (iv) and (v) of section 168(e)(3)(E) are each amended by striking “January 1, 2008” and inserting “January 1, 2009”.

(2) Effective date.—The amendments made by this subsection shall apply to property placed in service after December 31, 2007.
(b) TREATMENT TO INCLUDE NEW CONSTRUCTION.—

(1) IN GENERAL.—Paragraph (7) of section 168(e) is amended to read as follows:

“(7) QUALIFIED RESTAURANT PROPERTY.—The term ‘qualified restaurant property’ means any section 1250 property which is a building or an improvement to a building if more than 50 percent of the building’s square footage is devoted to preparation of, and seating for on-premises consumption of, prepared meals.”.

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to property placed in service after the date of the enactment of this Act.

(c) RECOVERY PERIOD FOR DEPRECIATION OF CERTAIN IMPROVEMENTS TO RETAIL SPACE.—

(1) 15-YEAR RECOVERY PERIOD.—Section 168(e)(3)(E) is amended by striking “and” at the end of clause (vii), by striking the period at the end of clause (viii) and inserting “, and”, and by adding at the end the following new clause:

“(ix) any qualified retail improvement property placed in service before January 1, 2009.”.
(2) QUALIFIED RETAIL IMPROVEMENT PROPERTY.—Section 168(e) is amended by adding at the end the following new paragraph:

“(8) QUALIFIED RETAIL IMPROVEMENT PROPERTY.—

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

“(i) such portion is open to the general public and is used in the retail trade or business of selling tangible personal property to the general public, and

“(ii) such improvement is placed in service more than 3 years after the date the building was first placed in service.

“(B) IMPROVEMENTS MADE BY OWNER.—

In the case of an improvement made by the owner of such improvement, such improvement shall be qualified retail improvement property (if at all) only so long as such improvement is held by such owner. Rules similar to the rules under paragraph (6)(B) shall apply for purposes of the preceding sentence.
“(C) Certain improvements not included.—Such term shall not include any improvement for which the expenditure is attributable to—

“(i) the enlargement of the building,
“(ii) any elevator or escalator,
“(iii) any structural component benefitting a common area, or
“(iv) the internal structural framework of the building.”.

(3) Requirement to use straight line method.—Section 168(b)(3) is amended by adding at the end the following new subparagraph:

“(I) Qualified retail improvement property described in subsection (e)(8).”.

(4) Alternative system.—The table contained in section 168(g)(3)(B) is amended by inserting after the item relating to subparagraph (E)(viii) the following new item:

“(E)(ix) ................................................................. 39”.

(5) Effective date.—The amendments made by this subsection shall apply to property placed in service after the date of the enactment of this Act.
SEC. 227. SEVEN-YEAR COST RECOVERY PERIOD FOR MOTORSPORTS RACING TRACK FACILITY.
(a) In General.—Subparagraph (D) of section 168(i)(15) is amended by striking “December 31, 2007” and inserting “December 31, 2008”.
(b) Effective Date.—The amendment made by this section shall apply to property placed in service after December 31, 2007.

SEC. 228. ACCELERATED DEPRECIATION FOR BUSINESS PROPERTY ON INDIAN RESERVATION.
(a) In General.—Paragraph (8) of section 168(j) is amended by striking “December 31, 2007” and inserting “December 31, 2008”.
(b) Effective Date.—The amendment made by this section shall apply to property placed in service after December 31, 2007.

SEC. 229. EXTENSION OF ELECTION TO EXPENSE ADVANCED MINE SAFETY EQUIPMENT.
Section 179E(g) is amended by striking “December 31, 2008” and inserting “December 31, 2009”.

SEC. 230. EXPENSING OF ENVIRONMENTAL REMEDIATION COSTS.
(a) In General.—Subsection (h) of section 198 is amended by striking “December 31, 2007” and inserting “December 31, 2008”.
(b) **Effective Date.**—The amendment made by this section shall apply to expenditures paid or incurred after December 31, 2007.

**SEC. 231. DEDUCTION ALLOWABLE WITH RESPECT TO INCOME ATTRIBUTABLE TO DOMESTIC PRODUCTION ACTIVITIES IN PUERTO RICO.**

(a) **In General.**—Subparagraph (C) of section 199(d)(8) is amended—

(1) by striking “first 2 taxable years” and inserting “first 3 taxable years”, and

(2) by striking “January 1, 2008” and inserting “January 1, 2009”.

(b) **Effective Date.**—The amendments made by this section shall apply to taxable years beginning after December 31, 2007.

**SEC. 232. MODIFICATION OF TAX TREATMENT OF CERTAIN PAYMENTS TO CONTROLLING EXEMPT ORGANIZATIONS.**

(a) **In General.**—Clause (iv) of section 512(b)(13)(E) is amended by striking “December 31, 2007” and inserting “December 31, 2008”.

(b) **Effective Date.**—The amendment made by this section shall apply to payments received or accrued after December 31, 2007.
SEC. 233. QUALIFIED ZONE ACADEMY BONDS.

(a) In General.—Subpart I of part IV of subchapter A of chapter 1, as amended by sections 106 and 141, is amended by adding at the end the following new section:

“SEC. 54E. QUALIFIED ZONE ACADEMY BONDS.

“(a) Qualified Zone Academy Bonds.—For purposes of this subchapter, the term ‘qualified zone academy bond’ means any bond issued as part of an issue if—

“(1) 100 percent of the available project proceeds of such issue are to be used for a qualified purpose with respect to a qualified zone academy established by an eligible local education agency,

“(2) the bond is issued by a State or local government within the jurisdiction of which such academy is located, and

“(3) the issuer—

“(A) designates such bond for purposes of this section,

“(B) certifies that it has written assurances that the private business contribution requirement of subsection (b) will be met with respect to such academy, and

“(C) certifies that it has the written approval of the eligible local education agency for such bond issuance.
“(b) PRIVATE BUSINESS CONTRIBUTION REQUIREMENT.—For purposes of subsection (a), the private business contribution requirement of this subsection is met with respect to any issue if the eligible local education agency that established the qualified zone academy has written commitments from private entities to make qualified contributions having a present value (as of the date of issuance of the issue) of not less than 10 percent of the proceeds of the issue.

“(c) LIMITATION ON AMOUNT OF BONDS DESIGNATED.—

“(1) NATIONAL LIMITATION.—There is a national zone academy bond limitation for each calendar year. Such limitation is $400,000,000 for 2008, and, except as provided in paragraph (4), zero thereafter.

“(2) ALLOCATION OF LIMITATION.—The national zone academy bond limitation for a calendar year shall be allocated by the Secretary among the States on the basis of their respective populations of individuals below the poverty line (as defined by the Office of Management and Budget). The limitation amount allocated to a State under the preceding sentence shall be allocated by the State education
agency to qualified zone academies within such State.

“(3) Designation subject to limitation amount.—The maximum aggregate face amount of bonds issued during any calendar year which may be designated under subsection (a) with respect to any qualified zone academy shall not exceed the limitation amount allocated to such academy under paragraph (2) for such calendar year.

“(4) Carryover of unused limitation.—

“(A) In general.—If for any calendar year—

“(i) the limitation amount for any State, exceeds

“(ii) the amount of bonds issued during such year which are designated under subsection (a) with respect to qualified zone academies within such State,

the limitation amount for such State for the following calendar year shall be increased by the amount of such excess.

“(B) Limitation on carryover.—Any carryforward of a limitation amount may be carried only to the first 2 years following the unused limitation year. For purposes of the pre-
ceding sentence, a limitation amount shall be treated as used on a first-in first-out basis.

“(C) COORDINATION WITH SECTION 1397E.—Any carryover determined under section 1397E(e)(4) (relating to carryover of unused limitation) with respect to any State to calendar year 2008 shall be treated for purposes of this section as a carryover with respect to such State for such calendar year under subparagraph (A), and the limitation of subparagraph (B) shall apply to such carryover taking into account the calendar years to which such carryover relates.

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

“(1) QUALIFIED ZONE ACADEMY.—The term ‘qualified zone academy’ means any public school (or academic program within a public school) which is established by and operated under the supervision of an eligible local education agency to provide education or training below the postsecondary level if—

“(A) such public school or program (as the case may be) is designed in cooperation with business to enhance the academic curriculum, increase graduation and employment rates, and
better prepare students for the rigors of college
and the increasingly complex workforce,

“(B) students in such public school or pro-
gram (as the case may be) will be subject to the
same academic standards and assessments as
other students educated by the eligible local
education agency,

“(C) the comprehensive education plan of
such public school or program is approved by
the eligible local education agency, and

“(D)(i) such public school is located in an
empowerment zone or enterprise community
(including any such zone or community des-
ignated after the date of the enactment of this
section), or

“(ii) there is a reasonable expectation (as
of the date of issuance of the bonds) that at
least 35 percent of the students attending such
school or participating in such program (as the
case may be) will be eligible for free or reduced-
cost lunches under the school lunch program es-
tablished under the National School Lunch Act.

“(2) ELIGIBLE LOCAL EDUCATION AGENCY.—
For purposes of this section, the term ‘eligible local
education agency’ means any local educational agen-
cy as defined in section 9101 of the Elementary and Secondary Education Act of 1965.

“(3) QUALIFIED PURPOSE.—The term ‘qualified purpose’ means, with respect to any qualified zone academy—

“(A) rehabilitating or repairing the public school facility in which the academy is established,

“(B) providing equipment for use at such academy,

“(C) developing course materials for education to be provided at such academy, and

“(D) training teachers and other school personnel in such academy.

“(4) QUALIFIED CONTRIBUTIONS.—The term ‘qualified contribution’ means any contribution (of a type and quality acceptable to the eligible local education agency) of—

“(A) equipment for use in the qualified zone academy (including state-of-the-art technology and vocational equipment),

“(B) technical assistance in developing curriculum or in training teachers in order to promote appropriate market driven technology in the classroom,
“(C) services of employees as volunteer mentors,

“(D) internships, field trips, or other educational opportunities outside the academy for students, or

“(E) any other property or service specified by the eligible local education agency.”.

(b) CONFORMING AMENDMENTS.—

(1) Paragraph (1) of section 54A(d), as amended by sections 106 and 141, is amended by striking “or” at the end of subparagraph (B), by inserting “or” at the end of subparagraph (C), and by inserting after subparagraph (C) the following new subparagraph:

“(D) a qualified zone academy bond,”.

(2) Subparagraph (C) of section 54A(d)(2), as amended by sections 106 and 141, is amended by striking “and” at the end of clause (ii), by striking the period at the end of clause (iii) and inserting “, and”, and by adding at the end the following new clause:

“(iv) in the case of a qualified zone academy bond, a purpose specified in section 54E(a)(1).”.

“(C) services of employees as volunteer mentors,

“(D) internships, field trips, or other educational opportunities outside the academy for students, or

“(E) any other property or service specified by the eligible local education agency.”.

(b) CONFORMING AMENDMENTS.—

(1) Paragraph (1) of section 54A(d), as amended by sections 106 and 141, is amended by striking “or” at the end of subparagraph (B), by inserting “or” at the end of subparagraph (C), and by inserting after subparagraph (C) the following new subparagraph:

“(D) a qualified zone academy bond,”.

(2) Subparagraph (C) of section 54A(d)(2), as amended by sections 106 and 141, is amended by striking “and” at the end of clause (ii), by striking the period at the end of clause (iii) and inserting “, and”, and by adding at the end the following new clause:

“(iv) in the case of a qualified zone academy bond, a purpose specified in section 54E(a)(1).”.

“(C) services of employees as volunteer mentors,

“(D) internships, field trips, or other educational opportunities outside the academy for students, or

“(E) any other property or service specified by the eligible local education agency.”.

(b) CONFORMING AMENDMENTS.—

(1) Paragraph (1) of section 54A(d), as amended by sections 106 and 141, is amended by striking “or” at the end of subparagraph (B), by inserting “or” at the end of subparagraph (C), and by inserting after subparagraph (C) the following new subparagraph:

“(D) a qualified zone academy bond,”.

(2) Subparagraph (C) of section 54A(d)(2), as amended by sections 106 and 141, is amended by striking “and” at the end of clause (ii), by striking the period at the end of clause (iii) and inserting “, and”, and by adding at the end the following new clause:

“(iv) in the case of a qualified zone academy bond, a purpose specified in section 54E(a)(1).”.

“(C) services of employees as volunteer mentors,

“(D) internships, field trips, or other educational opportunities outside the academy for students, or

“(E) any other property or service specified by the eligible local education agency.”.

(b) CONFORMING AMENDMENTS.—

(1) Paragraph (1) of section 54A(d), as amended by sections 106 and 141, is amended by striking “or” at the end of subparagraph (B), by inserting “or” at the end of subparagraph (C), and by inserting after subparagraph (C) the following new subparagraph:

“(D) a qualified zone academy bond,”.

(2) Subparagraph (C) of section 54A(d)(2), as amended by sections 106 and 141, is amended by striking “and” at the end of clause (ii), by striking the period at the end of clause (iii) and inserting “, and”, and by adding at the end the following new clause:

“(iv) in the case of a qualified zone academy bond, a purpose specified in section 54E(a)(1).”.

“(C) services of employees as volunteer mentors,

“(D) internships, field trips, or other educational opportunities outside the academy for students, or

“(E) any other property or service specified by the eligible local education agency.”.

(b) CONFORMING AMENDMENTS.—

(1) Paragraph (1) of section 54A(d), as amended by sections 106 and 141, is amended by striking “or” at the end of subparagraph (B), by inserting “or” at the end of subparagraph (C), and by inserting after subparagraph (C) the following new subparagraph:

“(D) a qualified zone academy bond,”.

(2) Subparagraph (C) of section 54A(d)(2), as amended by sections 106 and 141, is amended by striking “and” at the end of clause (ii), by striking the period at the end of clause (iii) and inserting “, and”, and by adding at the end the following new clause:

“(iv) in the case of a qualified zone academy bond, a purpose specified in section 54E(a)(1).”.

“(C) services of employees as volunteer mentors,

“(D) internships, field trips, or other educational opportunities outside the academy for students, or

“(E) any other property or service specified by the eligible local education agency.”.

(b) CONFORMING AMENDMENTS.—

(1) Paragraph (1) of section 54A(d), as amended by sections 106 and 141, is amended by striking “or” at the end of subparagraph (B), by inserting “or” at the end of subparagraph (C), and by inserting after subparagraph (C) the following new subparagraph:

“(D) a qualified zone academy bond,”.

(2) Subparagraph (C) of section 54A(d)(2), as amended by sections 106 and 141, is amended by striking “and” at the end of clause (ii), by striking the period at the end of clause (iii) and inserting “, and”, and by adding at the end the following new clause:

“(iv) in the case of a qualified zone academy bond, a purpose specified in section 54E(a)(1).”.
(3) Section 1397E is amended by adding at the end the following new subsection:

“(m) TERMINATION.—This section shall not apply to any obligation issued after the date of the enactment of this Act.”.

(4) The table of sections for subpart I of part IV of subchapter A of chapter 1 is amended by adding at the end the following new item:

“Sec. 54E. Qualified zone academy bonds.”.

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

SEC. 234. TAX INCENTIVES FOR INVESTMENT IN THE DISTRICT OF COLUMBIA.

(a) DESIGNATION OF ZONE.—

(1) IN GENERAL.—Subsection (f) of section 1400 is amended by striking “2007” both places it appears and inserting “2008”.

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

(b) TAX-EXEMPT ECONOMIC DEVELOPMENT BONDS.—

(1) IN GENERAL.—Subsection (b) of section 1400A is amended by striking “2007” and inserting “2008”.


(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to bonds issued after December 31, 2007.

(c) ZERO PERCENT CAPITAL GAINS RATE.—

(1) IN GENERAL.—Subsection (b) of section 1400B is amended by striking “2008” each place it appears and inserting “2009”.

(2) CONFORMING AMENDMENTS.—

(A) Section 1400B(e)(2) is amended—

(i) by striking “2012” and inserting “2013”, and

(ii) by striking “2012” in the heading thereof and inserting “2013”.

(B) Section 1400B(g)(2) is amended by striking “2012” and inserting “2013”.

(C) Section 1400F(d) is amended by striking “2012” and inserting “2013”.

(3) EFFECTIVE DATES.—

(A) EXTENSION.—The amendments made by paragraph (1) shall apply to acquisitions after December 31, 2007.

(B) CONFORMING AMENDMENTS.—The amendments made by paragraph (2) shall take effect on the date of the enactment of this Act.

(d) FIRST-TIME HOMEBUYER CREDIT.—
1 (1) IN GENERAL.—Subsection (i) of section 1400C is amended by striking “2008” and inserting “2009”.

2 (2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to property purchased after December 31, 2007.

3 SEC. 235. ECONOMIC DEVELOPMENT CREDIT FOR AMERICAN SAMOA.

4 (a) IN GENERAL.—Subsection (d) of section 119 of division A of the Tax Relief and Health Care Act of 2006 is amended—

5 (1) by striking “first two taxable years” and inserting “first 3 taxable years”, and

6 (2) by striking “January 1, 2008” and inserting “January 1, 2009”.

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

8 SEC. 236. EXTENSION AND EXPANSION OF CHARITABLE DEDUCTION FOR CONTRIBUTIONS OF FOOD INVENTORY.

9 (a) IN GENERAL.—Section 170(e)(3)(C) is amended—

10 (1) by striking “December 31, 2007” in clause (iv) and inserting “December 31, 2008”, and
(2) by redesignating clauses (iii) and (iv) as
clauses (iv) and (v), respectively, and by inserting
after clause (ii) the following new clause:

"(iii) Determination of Basis.—If
a taxpayer—

"(I) does not account for inven-
tories under section 471, and

"(II) is not required to capitalize
indirect costs under section 263A,

the taxpayer may elect, solely for purposes
of subparagraph (B), to treat the basis of
any apparently wholesome food as being
equal to 25 percent of the fair market
value of such food.”.

(b) Temporary Suspension of Limitations on
Charitable Contributions.—

(1) In General.—Section 170(b) is amended
by adding at the end the following new paragraph:

“(3) Temporary Suspension of Limitations
on Charitable Contributions.—In the case of a
qualified farmer or rancher (as defined in paragraph
(1)(E)(v)), any charitable contribution of food—

“(A) to which subsection (e)(3)(C) applies
(without regard to clause (ii) thereof), and
“(B) which is made during the period beginning on the date of the enactment of this paragraph and before January 1, 2009, shall be treated for purposes of paragraph (1)(E) or (2)(B), whichever is applicable, as if it were a qualified conservation contribution which is made by a qualified farmer or rancher and which otherwise meets the requirements of such paragraph.”.

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to taxable years ending after the date of the enactment of this Act.

(c) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to contributions made after December 31, 2007.

SEC. 237. ENHANCED CHARITABLE DEDUCTION FOR CONTRIBUTIONS OF BOOK INVENTORY TO PUBLIC SCHOOLS.

(a) IN GENERAL.—Clause (iv) of section 170(e)(3)(D) is amended by striking “December 31, 2007” and inserting “December 31, 2008”.

(b) CLERICAL AMENDMENT.—Clause (iii) of section 170(e)(3)(D) is amended by inserting “of books” after “to any contribution”.
(c) Effective Date.—The amendments made by this section shall apply to contributions made after December 31, 2007.

SEC. 238. ENHANCED DEDUCTION FOR QUALIFIED COMPUTER CONTRIBUTIONS.

(a) In General.—Subparagraph (G) of section 170(e)(6) is amended by striking “December 31, 2007” and inserting “December 31, 2008”.

(b) Effective Date.—The amendment made by this section shall apply to contributions made during taxable years beginning after December 31, 2007.

SEC. 239. BASIS ADJUSTMENT TO STOCK OF S CORPORATIONS MAKING CHARITABLE CONTRIBUTIONS OF PROPERTY.

(a) In General.—The last sentence of section 1367(a)(2) is amended by striking “December 31, 2007” and inserting “December 31, 2008”.

(b) Effective Date.—The amendment made by this section shall apply to contributions made in taxable years beginning after December 31, 2007.

SEC. 240. WORK OPPORTUNITY TAX CREDIT FOR HURRICANE KATRINA EMPLOYEES.

(a) In General.—Paragraph (1) of section 201(b) of the Katrina Emergency Tax Relief Act of 2005 is amended by striking “2-year” and inserting “3-year”.
(b) **Effective Date.**—The amendment made by subsection (a) shall apply to individuals hired after August 27, 2007.

**SEC. 241. SUBPART F EXCEPTION FOR ACTIVE FINANCING INCOME.**

(a) **Exempt Insurance Income.**—Paragraph (10) of section 953(e) is amended—

(1) by striking “January 1, 2009” and inserting “January 1, 2010”, and

(2) by striking “December 31, 2008” and inserting “December 31, 2009”.

(b) **Exception to Treatment as Foreign Personal Holding Company Income.**—Paragraph (9) of section 954(h) is amended by striking “January 1, 2009” and inserting “January 1, 2010”.

**SEC. 242. LOOK-THRU RULE FOR RELATED CONTROLLED FOREIGN CORPORATIONS.**

(a) **In General.**—Subparagraph (C) of section 954(c)(6) is amended by striking “January 1, 2009” and inserting “January 1, 2010”.

(b) **Effective Date.**—The amendment made by this section shall apply to taxable years of foreign corporations beginning after December 31, 2008, and to taxable years of United States shareholders with or within which such taxable years of foreign corporations end.
SEC. 243. EXPENSING FOR CERTAIN QUALIFIED FILM AND
TELEVISION PRODUCTIONS.

(a) In General.—Subsection (f) of section 181 is
amended by striking “December 31, 2008” and inserting
“December 31, 2009”.

(b) Effective Date.—The amendment made by
this section shall apply to productions commencing after
December 31, 2008.

SEC. 244. EXTENSION AND MODIFICATION OF DUTY SUS-
PENSION ON WOOL PRODUCTS; WOOL RE-
SEARCH FUND; WOOL DUTY REFUNDS.

(a) Extension of Temporary Duty Reduc-
tions.—Each of the following headings of the Har-
monized Tariff Schedule of the United States is amended
by striking the date in the effective period column and
inserting “12/31/2014”:

(1) Heading 9902.51.11 (relating to fabrics of
worsted wool).

(2) Heading 9902.51.13 (relating to yarn of
combed wool).

(3) Heading 9902.51.14 (relating to wool fiber,
waste, garnetted stock, combed wool, or wool top).

(4) Heading 9902.51.15 (relating to fabrics of
combed wool).

(5) Heading 9902.51.16 (relating to fabrics of
combed wool).
(b) Extension of Duty Refunds and Wool Research Trust Fund.—

(1) In general.—Section 4002(c) of the Wool Suit and Textile Trade Extension Act of 2004 (Public Law 108–429; 118 Stat. 2603) is amended—

(A) in paragraph (3)(C), by striking “2010” and inserting “2015”; and

(B) in paragraph (6)(A), by striking “through 2009” and inserting “through 2014”.


Subtitle D—Other Extensions

Sec. 251. Authority to Disclose Information Related to Terrorist Activities Made Permanent.

(a) In general.—Subparagraph (C) of section 6103(i)(3) is amended by striking clause (iv).

(b) Disclosure on request.—Paragraph (7) of section 6103(i) is amended by striking subparagraph (E).

(c) Effective date.—The amendments made by this section shall apply to disclosures after the date of the enactment of this Act.
SEC. 252. AUTHORITY FOR UNDERCOVER OPERATIONS
MADE PERMANENT.
(a) In General.—Subsection (e) of section 7608 is amended by striking paragraph (6).
(b) Effective Date.—The amendment made by this section shall take effect on January 1, 2008.

SEC. 253. INCREASE IN LIMIT ON COVER OVER OF RUM EXCISE TAX TO PUERTO RICO AND THE VIRGIN ISLANDS.
(a) In General.—Paragraph (1) of section 7652(f) is amended by striking “January 1, 2008” and inserting “January 1, 2009”.
(b) Effective Date.—The amendment made by this section shall apply to distilled spirits brought into the United States after December 31, 2007.

TITLE III—ADDITIONAL RELIEF
Subtitle A—Individual Tax Relief
SEC. 301. $8,500 INCOME THRESHOLD USED TO CALCULATE REFUNDABLE PORTION OF CHILD TAX CREDIT.
(a) In General.—Section 24(d) is amended by adding at the end the following new paragraph:
“(4) Special rule for 2008.—Notwithstanding paragraph (3), in the case of any taxable year beginning in 2008, the dollar amount in effect
for such taxable year under paragraph (1)(B)(i) shall be $8,500.”.

(b) Effective Date.—The amendment made by this section shall apply to taxable years beginning after December 31, 2007.

SEC. 302. INCOME AVERAGING FOR AMOUNTS RECEIVED IN CONNECTION WITH THE EXXON VALDEZ LITIGATION.

(a) Income Averaging of Amounts Received From the Exxon Valdez Litigation.—For purposes of section 1301 of the Internal Revenue Code of 1986—

(1) any qualified taxpayer who receives any qualified settlement income in any taxable year shall be treated as engaged in a fishing business (determined without regard to the commercial nature of the business), and

(2) such qualified settlement income shall be treated as income attributable to such a fishing business for such taxable year.

(b) Contributions of Amounts Received to Retirement Accounts.—

(1) In General.—Any qualified taxpayer who receives qualified settlement income during the taxable year may, at any time before the end of the taxable year in which such income was received, make
one or more contributions to an eligible retirement plan of which such qualified taxpayer is a beneficiary in an aggregate amount not to exceed the lesser of—

(A) $100,000 (reduced by the amount of qualified settlement income contributed to an eligible retirement plan in prior taxable years pursuant to this subsection), or

(B) the amount of qualified settlement income received by the individual during the taxable year.

(2) Time when contributions deemed made.—For purposes of paragraph (1), a qualified taxpayer shall be deemed to have made a contribution to an eligible retirement plan on the last day of the taxable year in which such income is received if the contribution is made on account of such taxable year and is made not later than the time prescribed by law for filing the return for such taxable year (not including extensions thereof).

(3) Treatment of contributions to eligible retirement plans.—For purposes of the Internal Revenue Code of 1986, if a contribution is made pursuant to paragraph (1) with respect to qualified settlement income, then—
(A) except as provided in paragraph (4)—
   (i) to the extent of such contribution,
   the qualified settlement income shall not
   be included in taxable income, and
   (ii) for purposes of section 72 of such
   Code, such contribution shall not be con-
sidered to be investment in the contract,

(B) the qualified taxpayer shall, to the ex-
tent of the amount of the contribution, be treat-
ed—
   (i) as having received the qualified
   settlement income—
      (I) in the case of a contribution
   to an individual retirement plan (as
defined under section 7701(a)(37) of
such Code), in a distribution described
in section 408(d)(3) of such Code, and
   (II) in the case of any other eligi-
ble retirement plan, in an eligible roll-
over distribution (as defined under
section 402(f)(2) of such Code), and
   (ii) as having transferred the amount
to the eligible retirement plan in a direct
trustee to trustee transfer within 60 days
of the distribution,

(C) section 408(d)(3)(B) of the Internal
Revenue Code of 1986 shall not apply with re-
spect to amounts treated as a rollover under
this paragraph, and

(D) section 408A(c)(3)(B) of the Internal
Revenue Code of 1986 shall not apply with re-
spect to amounts contributed to a Roth IRA (as
defined under section 408A(b) of such Code) or
a designated Roth contribution to an applicable
retirement plan (within the meaning of section
402A of such Code) under this paragraph.

(4) SPECIAL RULE FOR ROTH IRAS AND ROTH
401(k)s.—For purposes of the Internal Revenue
Code of 1986, if a contribution is made pursuant to
paragraph (1) with respect to qualified settlement
income to a Roth IRA (as defined under section
408A(b) of such Code) or as a designated Roth con-
tribution to an applicable retirement plan (within
the meaning of section 402A of such Code), then—

(A) the qualified settlement income shall
be includible in taxable income, and
(B) for purposes of section 72 of such Code, such contribution shall be considered to be investment in the contract.

(5) Eligible Retirement Plan.—For purpose of this subsection, the term “eligible retirement plan” has the meaning given such term under section 402(c)(8)(B) of the Internal Revenue Code of 1986.

(c) Treatment of Qualified Settlement Income Under Employment Taxes.—

(1) SECA.—For purposes of chapter 2 of the Internal Revenue Code of 1986 and section 211 of the Social Security Act, no portion of qualified settlement income received by a qualified taxpayer shall be treated as self-employment income.

(2) FICA.—For purposes of chapter 21 of the Internal Revenue Code of 1986 and section 209 of the Social Security Act, no portion of qualified settlement income received by a qualified taxpayer shall be treated as wages.

(d) Qualified Taxpayer.—For purposes of this section, the term “qualified taxpayer” means—

(1) any individual who is a plaintiff in the civil action In re Exxon Valdez, No. 89–095–CV (HRH) (Consolidated) (D. Alaska); or
(2) any individual who is a beneficiary of the estate of such a plaintiff who—

(A) acquired the right to receive qualified settlement income from that plaintiff; and

(B) was the spouse or an immediate relative of that plaintiff.

(e) Qualified Settlement Income.—For purposes of this section, the term “qualified settlement income” means any interest and punitive damage awards which are—

(1) otherwise includible in taxable income, and

(2) received (whether as lump sums or periodic payments) in connection with the civil action In re Exxon Valdez, No. 89–095–CV (HRH) (Consolidated) (D. Alaska) (whether pre- or post-judgment and whether related to a settlement or judgment).

Subtitle B—Business Related Provisions

SEC. 311. PROVISIONS RELATED TO FILM AND TELEVISION PRODUCTIONS.

(a) Modification of Limitation on Expensing.—Subparagraph (A) of section 181(a)(2) is amended to read as follows:

“(A) In general.—Paragraph (1) shall not apply to so much of the aggregate cost of
any qualified film or television production as exceeds $15,000,000.’’.

(b) Modifications to Deduction for Domestic Activities.—

(1) Determination of W–2 Wages.—Paragraph (2) of section 199(b) is amended by adding at the end the following new subparagraph:

“(D) Special rule for qualified film.—In the case of a qualified film, such term shall include compensation for services performed in the United States by actors, production personnel, directors, and producers.”.

(2) Definition of Qualified Film.—Paragraph (6) of section 199(c) is amended by adding at the end the following: “A qualified film shall include any copyrights, trademarks, or other intangibles with respect to such film. The methods and means of distributing a qualified film shall not affect the availability of the deduction under this section.”.

(3) Partnerships.—Subparagraph (A) of section 199(d)(1) is amended by striking “and” at the end of clause (ii), by striking the period at the end of clause (iii) and inserting “, and”, and by adding at the end the following new clause:
“(iv) in the case of each partner of a partnership, or shareholder of an S corporation, who owns (directly or indirectly) at least 20 percent of the capital interests in such partnership or of the stock of such S corporation—

“(I) such partner or shareholder shall be treated as having engaged directly in any film produced by such partnership or S corporation, and

“(II) such partnership or S corporation shall be treated as having engaged directly in any film produced by such partner or shareholder.”.

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this section shall apply to taxable years beginning after December 31, 2007.

(2) EXPENSING.—The amendments made by subsection (a) shall apply to qualified film and television productions commencing after December 31, 2007.
SEC. 312. MODIFICATION OF RATE OF EXCISE TAX ON CERTAIN WOODEN ARROWS DESIGNED FOR USE BY CHILDREN.

(a) In General.—Paragraph (2) of section 4161(b) is amended by redesignating subparagraph (B) as subparagraph (C) and by inserting after subparagraph (A) the following new subparagraph:

“(B) Exemption for certain wooden arrow shafts.—Subparagraph (A) shall not apply to any shaft consisting of all natural wood with no laminations or artificial means of enhancing the spine of such shaft (whether sold separately or incorporated as part of a finished or unfinished product) of a type used in the manufacture of any arrow which after its assembly—

“(i) measures 5/16 of an inch or less in diameter, and

“(ii) is not suitable for use with a bow described in paragraph (1)(A).”.

(b) Effective Date.—The amendments made by this section shall apply to shafts first sold after the date of enactment of this Act.
SEC. 313. MENTAL HEALTH PARITY.

(a) Amendments to ERISA.—Section 712 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1185a) is amended—

(1) in subsection (a), by adding at the end the following:

“(3) Financial requirements and treatment limitations.—

“(A) In general.—In the case of a group health plan (or health insurance coverage offered in connection with such a plan) that provides both medical and surgical benefits and mental health or substance use disorder benefits, such plan or coverage shall ensure that—

“(i) the financial requirements applicable to such mental health or substance use disorder benefits are no more restrictive than the predominant financial requirements applied to substantially all medical and surgical benefits covered by the plan (or coverage), and there are no separate cost sharing requirements that are applicable only with respect to mental health or substance use disorder benefits; and
“(ii) the treatment limitations applicable to such mental health or substance use disorder benefits are no more restrictive than the predominant treatment limitations applied to substantially all medical and surgical benefits covered by the plan (or coverage) and there are no separate treatment limitations that are applicable only with respect to mental health or substance use disorder benefits.

“(B) DEFINITIONS.—In this paragraph:

“(i) FINANCIAL REQUIREMENT.—The term ‘financial requirement’ includes deductibles, copayments, coinsurance, and out-of-pocket expenses, but excludes an aggregate lifetime limit and an annual limit subject to paragraphs (1) and (2),

“(ii) PREDOMINANT.—A financial requirement or treatment limit is considered to be predominant if it is the most common or frequent of such type of limit or requirement.

“(iii) TREATMENT LIMITATION.—The term ‘treatment limitation’ includes limits on the frequency of treatment, number of
visits, days of coverage, or other similar limits on the scope or duration of treatment.

“(4) Availability of Plan Information.—

The criteria for medical necessity determinations made under the plan with respect to mental health or substance use disorder benefits (or the health insurance coverage offered in connection with the plan with respect to such benefits) shall be made available by the plan administrator (or the health insurance issuer offering such coverage) in accordance with regulations to any current or potential participant, beneficiary, or contracting provider upon request. The reason for any denial under the plan (or coverage) of reimbursement or payment for services with respect to mental health or substance use disorder benefits in the case of any participant or beneficiary shall, on request or as otherwise required, be made available by the plan administrator (or the health insurance issuer offering such coverage) to the participant or beneficiary in accordance with regulations.

“(5) Out-of-Network Providers.—In the case of a plan or coverage that provides both medical and surgical benefits and mental health or sub-
stance use disorder benefits, if the plan or coverage provides coverage for medical or surgical benefits provided by out-of-network providers, the plan or coverage shall provide coverage for mental health or substance use disorder benefits provided by out-of-network providers in a manner that is consistent with the requirements of this section.”;

(2) in subsection (b), by amending paragraph (2) to read as follows:

“(2) in the case of a group health plan (or health insurance coverage offered in connection with such a plan) that provides mental health or substance use disorder benefits, as affecting the terms and conditions of the plan or coverage relating to such benefits under the plan or coverage, except as provided in subsection (a).”;  

(3) in subsection (c)—

(A) in paragraph (1)(B)—

(i) by inserting “(or 1 in the case of an employer residing in a State that permits small groups to include a single individual)” after “at least 2” the first place that such appears; and
(ii) by striking “and who employs at least 2 employees on the first day of the plan year”; and

(B) by striking paragraph (2) and inserting the following:

“(2) COST EXEMPTION.—

“(A) IN GENERAL.—With respect to a group health plan (or health insurance coverage offered in connection with such a plan), if the application of this section to such plan (or coverage) results in an increase for the plan year involved of the actual total costs of coverage with respect to medical and surgical benefits and mental health and substance use disorder benefits under the plan (as determined and certified under subparagraph (C)) by an amount that exceeds the applicable percentage described in subparagraph (B) of the actual total plan costs, the provisions of this section shall not apply to such plan (or coverage) during the following plan year, and such exemption shall apply to the plan (or coverage) for 1 plan year. An employer may elect to continue to apply mental health and substance use disorder parity pursuant to this section with respect to the
group health plan (or coverage) involved regardless of any increase in total costs.

“(B) APPLICABLE PERCENTAGE.—With respect to a plan (or coverage), the applicable percentage described in this subparagraph shall be—

“(i) 2 percent in the case of the first plan year in which this section is applied; and

“(ii) 1 percent in the case of each subsequent plan year.

“(C) DETERMINATIONS BY ACTUARIES.—

Determinations as to increases in actual costs under a plan (or coverage) for purposes of this section shall be made and certified by a qualified and licensed actuary who is a member in good standing of the American Academy of Actuaries. All such determinations shall be in a written report prepared by the actuary. The report, and all underlying documentation relied upon by the actuary, shall be maintained by the group health plan or health insurance issuer for a period of 6 years following the notification made under subparagraph (E).
“(D) 6-MONTH DETERMINATIONS.—If a group health plan (or a health insurance issuer offering coverage in connection with a group health plan) seeks an exemption under this paragraph, determinations under subparagraph (A) shall be made after such plan (or coverage) has complied with this section for the first 6 months of the plan year involved.

“(E) NOTIFICATION.—

“(i) IN GENERAL.—A group health plan (or a health insurance issuer offering coverage in connection with a group health plan) that, based upon a certification described under subparagraph (C), qualifies for an exemption under this paragraph, and elects to implement the exemption, shall notify the Secretary, the appropriate State agencies, and participants and beneficiaries in the plan of such election in a timely manner promptly following such certification.

“(ii) REQUIREMENT.—A notification to the Secretary under clause (i) shall include—
“(I) a description of the number of covered lives under the plan (or coverage) involved at the time of the notification, and as applicable, at the time of any prior election of the cost-exemption under this paragraph by such plan (or coverage);

“(II) for both the plan year upon which a cost exemption is sought and the year prior, a description of the actual total costs of coverage with respect to medical and surgical benefits and mental health and substance use disorder benefits under the plan; and

“(III) for both the plan year upon which a cost exemption is sought and the year prior, the actual total costs of coverage with respect to mental health and substance use disorder benefits under the plan.

“(iii) CONFIDENTIALITY.—A notification to the Secretary under clause (i) shall be confidential. The Secretary shall make available, upon request and on not more than an annual basis, an anonymous
itemization of such notifications, that in-
cludes—

“(I) a breakdown of States by
the size and type of employers submit-
ting such notification; and

“(II) a summary of the data re-
ceived under clause (ii).

“(F) Audits by appropriate agen-
cies.—To determine compliance with this para-
graph, the Secretary may audit the books and
records of a group health plan or health insur-
ance issuer relating to an exemption, including
any actuarial reports prepared pursuant to sub-
paragraph (C), during the 6 year period fol-
lowing the notification of such exemption under
subparagraph (E). A State agency receiving a
notification under subparagraph (E) may also
conduct such an audit with respect to an ex-
emption covered by such notification.”;

(4) in subsection (e), by striking paragraph (4)
and inserting the following:

“(4) Mental health benefits.—The term
‘mental health benefits’ means benefits with respect
to services for mental health conditions, as defined
under the terms of the plan and in accordance with applicable Federal and State law.

“(5) SUBSTANCE USE DISORDER BENEFITS.—The term ‘substance use disorder benefits’ means benefits with respect to services for substance use disorders, as defined under the terms of the plan and in accordance with applicable Federal and State law.”;

(5) by striking subsection (f);

(6) by inserting after subsection (e) the following:

“(f) SECRETARY REPORT.—The Secretary shall, by January 1, 2012, and every two years thereafter, submit to the appropriate committees of Congress a report on compliance of group health plans (and health insurance coverage offered in connection with such plans) with the requirements of this section. Such report shall include the results of any surveys or audits on compliance of group health plans (and health insurance coverage offered in connection with such plans) with such requirements and an analysis of the reasons for any failures to comply.

“(g) NOTICE AND ASSISTANCE.—The Secretary, in cooperation with the Secretaries of Health and Human Services and Treasury, as appropriate, shall publish and widely disseminate guidance and information for group
health plans, participants and beneficiaries, applicable
State and local regulatory bodies, and the National Association of Insurance Commissioners concerning the requirements of this section and shall provide assistance concerning such requirements and the continued operation of applicable State law. Such guidance and information shall inform participants and beneficiaries of how they may obtain assistance under this section, including, where appropriate, assistance from State consumer and insurance agencies.”;

(7) by striking “mental health benefits” and inserting “mental health and substance use disorder benefits” each place it appears in subsections (a)(1)(B)(i), (a)(1)(C), (a)(2)(B)(i), and (a)(2)(C); and

(8) by striking “mental health benefits” and inserting “mental health or substance use disorder benefits” each place it appears (other than in any provision amended by the previous paragraph).

(b) AMENDMENTS TO PUBLIC HEALTH SERVICE ACT.—Section 2705 of the Public Health Service Act (42 U.S.C. 300gg–5) is amended—

(1) in subsection (a), by adding at the end the following:
“(3) **FINANCIAL REQUIREMENTS AND TREATMENT LIMITATIONS.**—

“(A) **IN GENERAL.**—In the case of a group health plan (or health insurance coverage offered in connection with such a plan) that provides both medical and surgical benefits and mental health or substance use disorder benefits, such plan or coverage shall ensure that—

“(i) the financial requirements applicable to such mental health or substance use disorder benefits are no more restrictive than the predominant financial requirements applied to substantially all medical and surgical benefits covered by the plan (or coverage), and there are no separate cost sharing requirements that are applicable only with respect to mental health or substance use disorder benefits; and

“(ii) the treatment limitations applicable to such mental health or substance use disorder benefits are no more restrictive than the predominant treatment limitations applied to substantially all medical and surgical benefits covered by the plan.
(or coverage) and there are no separate treatment limitations that are applicable only with respect to mental health or substance use disorder benefits.

“(B) DEFINITIONS.—In this paragraph:

“(i) FINANCIAL REQUIREMENT.—The term ‘financial requirement’ includes deductibles, copayments, coinsurance, and out-of-pocket expenses, but excludes an aggregate lifetime limit and an annual limit subject to paragraphs (1) and (2),

“(ii) PREDOMINANT.—A financial requirement or treatment limit is considered to be predominant if it is the most common or frequent of such type of limit or requirement.

“(iii) TREATMENT LIMITATION.—The term ‘treatment limitation’ includes limits on the frequency of treatment, number of visits, days of coverage, or other similar limits on the scope or duration of treatment.

“(4) AVAILABILITY OF PLAN INFORMATION.—The criteria for medical necessity determinations made under the plan with respect to mental health
or substance use disorder benefits (or the health insurance coverage offered in connection with the plan with respect to such benefits) shall be made available by the plan administrator (or the health insurance issuer offering such coverage) in accordance with regulations to any current or potential participant, beneficiary, or contracting provider upon request. The reason for any denial under the plan (or coverage) of reimbursement or payment for services with respect to mental health or substance use disorder benefits in the case of any participant or beneficiary shall, on request or as otherwise required, be made available by the plan administrator (or the health insurance issuer offering such coverage) to the participant or beneficiary in accordance with regulations.

“(5) Out-of-network Providers.—In the case of a plan or coverage that provides both medical and surgical benefits and mental health or substance use disorder benefits, if the plan or coverage provides coverage for medical or surgical benefits provided by out-of-network providers, the plan or coverage shall provide coverage for mental health or substance use disorder benefits provided by out-of-
network providers in a manner that is consistent with the requirements of this section.”;

(2) in subsection (b), by amending paragraph (2) to read as follows:

“(2) in the case of a group health plan (or health insurance coverage offered in connection with such a plan) that provides mental health or substance use disorder benefits, as affecting the terms and conditions of the plan or coverage relating to such benefits under the plan or coverage, except as provided in subsection (a).”;

(3) in subsection (c)—

(A) in paragraph (1), by inserting before the period the following: “(as defined in section 2791(e)(4), except that for purposes of this paragraph such term shall include employers with 1 employee in the case of an employer residing in a State that permits small groups to include a single individual)”; and

(B) by striking paragraph (2) and inserting the following:

“(2) COST EXEMPTION.

“(A) IN GENERAL.—With respect to a group health plan (or health insurance coverage offered in connection with such a plan), if the
application of this section to such plan (or coverage) results in an increase for the plan year involved of the actual total costs of coverage with respect to medical and surgical benefits and mental health and substance use disorder benefits under the plan (as determined and certified under subparagraph (C)) by an amount that exceeds the applicable percentage described in subparagraph (B) of the actual total plan costs, the provisions of this section shall not apply to such plan (or coverage) during the following plan year, and such exemption shall apply to the plan (or coverage) for 1 plan year. An employer may elect to continue to apply mental health and substance use disorder parity pursuant to this section with respect to the group health plan (or coverage) involved regardless of any increase in total costs.

“(B) APPLICABLE PERCENTAGE.—With respect to a plan (or coverage), the applicable percentage described in this subparagraph shall be—

“(i) 2 percent in the case of the first plan year in which this section is applied; and
“(ii) 1 percent in the case of each subsequent plan year.

“(C) DETERMINATIONS BY ACTUARIES.—Determinations as to increases in actual costs under a plan (or coverage) for purposes of this section shall be made and certified by a qualified and licensed actuary who is a member in good standing of the American Academy of Actuaries. All such determinations shall be in a written report prepared by the actuary. The report, and all underlying documentation relied upon by the actuary, shall be maintained by the group health plan or health insurance issuer for a period of 6 years following the notification made under subparagraph (E).

“(D) 6-MONTH DETERMINATIONS.—If a group health plan (or a health insurance issuer offering coverage in connection with a group health plan) seeks an exemption under this paragraph, determinations under subparagraph (A) shall be made after such plan (or coverage) has complied with this section for the first 6 months of the plan year involved.

“(E) NOTIFICATION.—
“(i) IN GENERAL.—A group health plan (or a health insurance issuer offering coverage in connection with a group health plan) that, based upon a certification described under subparagraph (C), qualifies for an exemption under this paragraph, and elects to implement the exemption, shall notify the Secretary, the appropriate State agencies, and participants and beneficiaries in the plan of such election in a timely manner promptly following such certification.

“(ii) REQUIREMENT.—A notification to the Secretary under clause (i) shall include—

“(I) a description of the number of covered lives under the plan (or coverage) involved at the time of the notification, and as applicable, at the time of any prior election of the cost-exemption under this paragraph by such plan (or coverage);

“(II) for both the plan year upon which a cost exemption is sought and the year prior, a description of the ac-
tual total costs of coverage with respect to medical and surgical benefits and mental health and substance use disorder benefits under the plan; and

“(III) for both the plan year upon which a cost exemption is sought and the year prior, the actual total costs of coverage with respect to mental health and substance use disorder benefits under the plan.

“(iii) CONFIDENTIALITY.—A notification to the Secretary under clause (i) shall be confidential. The Secretary shall make available, upon request and on not more than an annual basis, an anonymous itemization of such notifications, that includes—

“(I) a breakdown of States by the size and type of employers submitting such notification; and

“(II) a summary of the data received under clause (ii).

“(F) AUDITS BY APPROPRIATE AGENCIES.—To determine compliance with this paragraph, the Secretary may audit the books and
records of a group health plan or health insurance issuer relating to an exemption, including any actuarial reports prepared pursuant to subparagraph (C), during the 6 year period following the notification of such exemption under subparagraph (E). A State agency receiving a notification under subparagraph (E) may also conduct such an audit with respect to an exemption covered by such notification.”;

(4) in subsection (e), by striking paragraph (4) and inserting the following:

“(4) MENTAL HEALTH BENEFITS.—The term ‘mental health benefits’ means benefits with respect to services for mental health conditions, as defined under the terms of the plan and in accordance with applicable Federal and State law.

“(5) SUBSTANCE USE DISORDER BENEFITS.—The term ‘substance use disorder benefits’ means benefits with respect to services for substance use disorders, as defined under the terms of the plan and in accordance with applicable Federal and State law.”;

(5) by striking subsection (f);

(6) by striking “mental health benefits” and inserting “mental health and substance use disorder
benefits” each place it appears in subsections (a)(1)(B)(i), (a)(1)(C), (a)(2)(B)(i), and (a)(2)(C); and

(7) by striking “mental health benefits” and inserting “mental health or substance use disorder benefits” each place it appears (other than in any provision amended by the previous paragraph).

(c) AMENDMENTS TO INTERNAL REVENUE CODE.—

Section 9812 is amended—

(1) in subsection (a), by adding at the end the following:

“(3) FINANCIAL REQUIREMENTS AND TREATMENT LIMITATIONS.—

“(A) IN GENERAL.—In the case of a group health plan that provides both medical and surgical benefits and mental health or substance use disorder benefits, such plan shall ensure that—

“(i) the financial requirements applicable to such mental health or substance use disorder benefits are no more restrictive than the predominant financial requirements applied to substantially all medical and surgical benefits covered by the plan, and there are no separate cost
sharing requirements that are applicable only with respect to mental health or substance use disorder benefits; and

“(ii) the treatment limitations applicable to such mental health or substance use disorder benefits are no more restrictive than the predominant treatment limitations applied to substantially all medical and surgical benefits covered by the plan and there are no separate treatment limitations that are applicable only with respect to mental health or substance use disorder benefits.

“(B) DEFINITIONS.—In this paragraph:

“(i) FINANCIAL REQUIREMENT.—The term ‘financial requirement’ includes deductibles, copayments, coinsurance, and out-of-pocket expenses, but excludes an aggregate lifetime limit and an annual limit subject to paragraphs (1) and (2),

“(ii) PREDOMINANT.—A financial requirement or treatment limit is considered to be predominant if it is the most common or frequent of such type of limit or requirement.
“(iii) Treatment Limitation.—The term ‘treatment limitation’ includes limits on the frequency of treatment, number of visits, days of coverage, or other similar limits on the scope or duration of treatment.

“(4) Availability of Plan Information.—

The criteria for medical necessity determinations made under the plan with respect to mental health or substance use disorder benefits shall be made available by the plan administrator in accordance with regulations to any current or potential participant, beneficiary, or contracting provider upon request. The reason for any denial under the plan of reimbursement or payment for services with respect to mental health or substance use disorder benefits in the case of any participant or beneficiary shall, on request or as otherwise required, be made available by the plan administrator to the participant or beneficiary in accordance with regulations.

“(5) Out-of-Network Providers.—In the case of a plan that provides both medical and surgical benefits and mental health or substance use disorder benefits, if the plan provides coverage for medical or surgical benefits provided by out-of-net-
work providers, the plan shall provide coverage for mental health or substance use disorder benefits provided by out-of-network providers in a manner that is consistent with the requirements of this section.”;

(2) in subsection (b), by amending paragraph (2) to read as follows:

“(2) in the case of a group health plan that provides mental health or substance use disorder benefits, as affecting the terms and conditions of the plan relating to such benefits under the plan, except as provided in subsection (a).”;

(3) in subsection (c)—

(A) by amending paragraph (1) to read as follows:

“(1) SMALL EMPLOYER EXEMPTION.—

“(A) IN GENERAL.—This section shall not apply to any group health plan for any plan year of a small employer.

“(B) SMALL EMPLOYER.—For purposes of subparagraph (A), the term ‘small employer’ means, with respect to a calendar year and a plan year, an employer who employed an average of at least 2 (or 1 in the case of an employer residing in a State that permits small groups to include a single individual) but not
more than 50 employees on business days during the preceding calendar year. For purposes of the preceding sentence, all persons treated as a single employer under subsection (b), (c), (m), or (o) of section 414 shall be treated as 1 employer and rules similar to rules of subparagraphs (B) and (C) of section 4980D(d)(2) shall apply.”; and

(B) by striking paragraph (2) and inserting the following:

“(2) COST EXEMPTION.—

“(A) IN GENERAL.—With respect to a group health plan, if the application of this section to such plan results in an increase for the plan year involved of the actual total costs of coverage with respect to medical and surgical benefits and mental health and substance use disorder benefits under the plan (as determined and certified under subparagraph (C)) by an amount that exceeds the applicable percentage described in subparagraph (B) of the actual total plan costs, the provisions of this section shall not apply to such plan during the following plan year, and such exemption shall apply to the plan for 1 plan year. An employer
may elect to continue to apply mental health
and substance use disorder parity pursuant to
this section with respect to the group health
plan involved regardless of any increase in total
costs.

“(B) APPLICABLE PERCENTAGE.—With re-
spect to a plan, the applicable percentage de-
scribed in this subparagraph shall be—

“(i) 2 percent in the case of the first
plan year in which this section is applied;

and

“(ii) 1 percent in the case of each
subsequent plan year.

“(C) DETERMINATIONS BY ACTUARIES.—
Determinations as to increases in actual costs
under a plan for purposes of this section shall
be made and certified by a qualified and li-
censed actuary who is a member in good stand-
ing of the American Academy of Actuaries. All
such determinations shall be in a written report
prepared by the actuary. The report, and all
underlying documentation relied upon by the
actuary, shall be maintained by the group
health plan for a period of 6 years following the
notification made under subparagraph (E).
“(D) 6-MONTH DETERMINATIONS.—If a group health plan seeks an exemption under this paragraph, determinations under subparagraph (A) shall be made after such plan has complied with this section for the first 6 months of the plan year involved.

“(E) NOTIFICATION.—

“(i) IN GENERAL.—A group health plan that, based upon a certification described under subparagraph (C), qualifies for an exemption under this paragraph, and elects to implement the exemption, shall notify the Secretary, the appropriate State agencies, and participants and beneficiaries in the plan of such election in a timely manner promptly following such certification.

“(ii) REQUIREMENT.—A notification to the Secretary under clause (i) shall include—

“(I) a description of the number of covered lives under the plan involved at the time of the notification, and as applicable, at the time of any
prior election of the cost-exemption under this paragraph by such plan;

“(II) for both the plan year upon which a cost exemption is sought and the year prior, a description of the actual total costs of coverage with respect to medical and surgical benefits and mental health and substance use disorder benefits under the plan; and

“(III) for both the plan year upon which a cost exemption is sought and the year prior, the actual total costs of coverage with respect to mental health and substance use disorder benefits under the plan.

“(iii) CONFIDENTIALITY.—A notification to the Secretary under clause (i) shall be confidential. The Secretary shall make available, upon request and on not more than an annual basis, an anonymous itemization of such notifications, that includes—

“(I) a breakdown of States by the size and type of employers submitting such notification; and
“(II) a summary of the data received under clause (ii).

“(F) AUDITS BY APPROPRIATE AGENCIES.—To determine compliance with this paragraph, the Secretary may audit the books and records of a group health plan relating to an exemption, including any actuarial reports prepared pursuant to subparagraph (C), during the 6 year period following the notification of such exemption under subparagraph (E). A State agency receiving a notification under subparagraph (E) may also conduct such an audit with respect to an exemption covered by such notification.”;

(4) in subsection (e), by striking paragraph (4) and inserting the following:

“(4) MENTAL HEALTH BENEFITS.—The term ‘mental health benefits’ means benefits with respect to services for mental health conditions, as defined under the terms of the plan and in accordance with applicable Federal and State law.

“(5) SUBSTANCE USE DISORDER BENEFITS.—The term ‘substance use disorder benefits’ means benefits with respect to services for substance use disorders, as defined under the terms of the plan
and in accordance with applicable Federal and State law.”;

(5) by striking subsection (f);

(6) by striking “mental health benefits” and inserting “mental health and substance use disorder benefits” each place it appears in subsections (a)(1)(B)(i), (a)(1)(C), (a)(2)(B)(i), and (a)(2)(C); and

(7) by striking “mental health benefits” and inserting “mental health or substance use disorder benefits” each place it appears (other than in any provision amended by the previous paragraph).

(d) REGULATIONS.—Not later than 1 year after the date of enactment of this Act, the Secretaries of Labor, Health and Human Services, and the Treasury shall issue regulations to carry out the amendments made by subsections (a), (b), and (c), respectively.

(e) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply with respect to group health plans for plan years beginning after the date that is 1 year after the date of enactment of this Act, regardless of whether regulations have been issued to carry out such amendment by such effective date, except that the amendments made by subsections
(a)(5), (b)(5), and (c)(5) shall take effect on January 1, 2009.

(2) Special rule for collective bargaining agreements.—In the case of a group health plan maintained pursuant to one or more collective bargaining agreements between employee representatives and one or more employers ratified before the date of the enactment of this Act, the amendments made by this section shall not apply to plan years beginning before the later of—

(A) the date on which the last of the collective bargaining agreements relating to the plan terminates (determined without regard to any extension thereof agreed to after the date of the enactment of this Act), or

(B) January 1, 2009.

For purposes of subparagraph (A), any plan amendment made pursuant to a collective bargaining agreement relating to the plan which amends the plan solely to conform to any requirement added by this section shall not be treated as a termination of such collective bargaining agreement.

(f) Assuring coordination.—The Secretary of Health and Human Services, the Secretary of Labor, and the Secretary of the Treasury may ensure, through the
execution or revision of an interagency memorandum of
understanding among such Secretaries, that—

(1) regulations, rulings, and interpretations
issued by such Secretaries relating to the same mat-
ter over which two or more such Secretaries have re-
sponsibility under this section (and the amendments
made by this section) are administered so as to have
the same effect at all times; and

(2) coordination of policies relating to enforcing
the same requirements through such Secretaries in
order to have a coordinated enforcement strategy
that avoids duplication of enforcement efforts and
assigns priorities in enforcement.

(g) CONFORMING CLERICAL AMENDMENTS.—

(1) ERISA HEADING.—

(A) IN GENERAL.—The heading of section
712 of the Employee Retirement Income Secu-
rity Act of 1974 is amended to read as follows:

"SEC. 712. PARITY IN MENTAL HEALTH AND SUBSTANCE
USE DISORDER BENEFITS.".

(B) CLERICAL AMENDMENT.—The table of
contents in section 1 of such Act is amended by
striking the item relating to section 712 and in-
serting the following new item:

"Sec. 712. Parity in mental health and substance use disorder benefits.".
(2) PHSA HEADING.—The heading of section 2705 of the Public Health Service Act is amended to read as follows:

"SEC. 2705. PARITY IN MENTAL HEALTH AND SUBSTANCE USE DISORDER BENEFITS."

(3) IRC HEADING.—

(A) IN GENERAL.—The heading of section 9812 is amended to read as follows:

"SEC. 9812. PARITY IN MENTAL HEALTH AND SUBSTANCE USE DISORDER BENEFITS."

(B) CLERICAL AMENDMENT.—The table of sections for subchapter B of chapter 100 is amended by striking the item relating to section 9812 and inserting the following new item:

"Sec. 9812. Parity in mental health and substance use disorder benefits."

(h) GAO STUDY ON COVERAGE AND EXCLUSION OF MENTAL HEALTH AND SUBSTANCE USE DISORDER DIAGNOSES.—

(1) IN GENERAL.—The Comptroller General of the United States shall conduct a study that analyzes the specific rates, patterns, and trends in coverage and exclusion of specific mental health and substance use disorder diagnoses by health plans and health insurance. The study shall include an analysis of—
(A) specific coverage rates for all mental health conditions and substance use disorders;

(B) which diagnoses are most commonly covered or excluded;

(C) whether implementation of this Act has affected trends in coverage or exclusion of such diagnoses; and

(D) the impact of covering or excluding specific diagnoses on participants’ and enrollees’ health, their health care coverage, and the costs of delivering health care.

(2) REPORTS.—Not later than 3 years after the date of the enactment of this Act, and 2 years after the date of submission the first report under this paragraph, the Comptroller General shall submit to Congress a report on the results of the study conducted under paragraph (1).
Subtitle C—Modification of Penalty on Understatement of Taxpayer’s Liability by Tax Return Preparer

SEC. 321. MODIFICATION OF PENALTY ON UNDERSTATEMENT OF TAXPAYER’S LIABILITY BY TAX RETURN PREPARER.

(a) IN GENERAL.—Subsection (a) of section 6694 is amended to read as follows:

“(a) UNDERSTATEMENT DUE TO UNREASONABLE POSITIONS.—

“(1) IN GENERAL.—If a tax return preparer—

“(A) prepares any return or claim of refund with respect to which any part of an understatement of liability is due to a position described in paragraph (2), and

“(B) knew (or reasonably should have known) of the position,

such tax return preparer shall pay a penalty with respect to each such return or claim in an amount equal to the greater of $1,000 or 50 percent of the income derived (or to be derived) by the tax return preparer with respect to the return or claim.

“(2) UNREASONABLE POSITION.—
“(A) IN GENERAL.—Except as otherwise provided in this paragraph, a position is described in this paragraph unless there is or was substantial authority for the position.

“(B) DISCLOSED POSITIONS.—If the position was disclosed as provided in section 6662(d)(2)(B)(ii)(I) and is not a position to which subparagraph (C) applies, the position is described in this paragraph unless there is a reasonable basis for the position.

“(C) TAX SHELTERS AND REPORTABLE TRANSACTIONS.—If the position is with respect to a tax shelter (as defined in section 6662(d)(2)(C)(ii)) or a reportable transaction to which section 6662A applies, the position is described in this paragraph unless it is reasonable to believe that the position would more likely than not be sustained on its merits.

“(3) REASONABLE CAUSE EXCEPTION.—No penalty shall be imposed under this subsection if it is shown that there is reasonable cause for the understatement and the tax return preparer acted in good faith.”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply—
(1) in the case of a position other than a position described in subparagraph (C) of section 6694(a)(2) of the Internal Revenue Code of 1986 (as amended by this section), to returns prepared after May 25, 2007, and

(2) in the case of a position described in such subparagraph (C), to returns prepared for taxable years ending after the date of the enactment of this Act.

Subtitle D—Other Provisions

SEC. 331. SECURE RURAL SCHOOLS AND COMMUNITY SELF-DETERMINATION PROGRAM.

(a) Reauthorization of the Secure Rural Schools and Community Self-Determination Act of 2000.—The Secure Rural Schools and Community Self-Determination Act of 2000 (16 U.S.C. 500 note; Public Law 106–393) is amended by striking sections 1 through 403 and inserting the following:

“SECTION 1. SHORT TITLE.

“This Act may be cited as the ‘Secure Rural Schools and Community Self-Determination Act of 2000’.

“SEC. 2. PURPOSES.

“The purposes of this Act are—
“(1) to stabilize and transition payments to counties to provide funding for schools and roads that supplements other available funds;

“(2) to make additional investments in, and create additional employment opportunities through, projects that—

“(A)(i) improve the maintenance of existing infrastructure;

“(ii) implement stewardship objectives that enhance forest ecosystems; and

“(iii) restore and improve land health and water quality;

“(B) enjoy broad-based support; and

“(C) have objectives that may include—

“(i) road, trail, and infrastructure maintenance or obliteration;

“(ii) soil productivity improvement;

“(iii) improvements in forest ecosystem health;

“(iv) watershed restoration and maintenance;

“(v) the restoration, maintenance, and improvement of wildlife and fish habitat;

“(vi) the control of noxious and exotic weeds; and
“(vii) the reestablishment of native species; and
“(3) to improve cooperative relationships among—
“(A) the people that use and care for Federal land; and
“(B) the agencies that manage the Federal land.

“SEC. 3. DEFINITIONS.

“In this Act:
“(1) ADJUSTED SHARE.—The term ‘adjusted share’ means the number equal to the quotient obtained by dividing—
“(A) the number equal to the quotient obtained by dividing—
“(i) the base share for the eligible county; by
“(ii) the income adjustment for the eligible county; by
“(B) the number equal to the sum of the quotients obtained under subparagraph (A) and paragraph (8)(A) for all eligible counties.
“(2) BASE SHARE.—The term ‘base share’ means the number equal to the average of—
“(A) the quotient obtained by dividing—
“(i) the number of acres of Federal land described in paragraph (7)(A) in each eligible county; by

“(ii) the total number acres of Federal land in all eligible counties in all eligible States; and

“(B) the quotient obtained by dividing—

“(i) the amount equal to the average of the 3 highest 25-percent payments and safety net payments made to each eligible State for each eligible county during the eligibility period; by

“(ii) the amount equal to the sum of the amounts calculated under clause (i) and paragraph (9)(B)(i) for all eligible counties in all eligible States during the eligibility period.

“(3) COUNTY PAYMENT.—The term ‘county payment’ means the payment for an eligible county calculated under section 101(b).

“(4) ELIGIBLE COUNTY.—The term ‘eligible county’ means any county that—

“(A) contains Federal land (as defined in paragraph (7)); and
“(B) elects to receive a share of the State payment or the county payment under section 102(b).

“(5) ELIGIBILITY PERIOD.—The term ‘eligibility period’ means fiscal year 1986 through fiscal year 1999.

“(6) ELIGIBLE STATE.—The term ‘eligible State’ means a State or territory of the United States that received a 25-percent payment for 1 or more fiscal years of the eligibility period.

“(7) FEDERAL LAND.—The term ‘Federal land’ means—

“(A) land within the National Forest System, as defined in section 11(a) of the Forest and Rangeland Renewable Resources Planning Act of 1974 (16 U.S.C. 1609(a)) exclusive of the National Grasslands and land utilization projects designated as National Grasslands administered pursuant to the Act of July 22, 1937 (7 U.S.C. 1010–1012); and

“(B) such portions of the revested Oregon and California Railroad and reconveyed Coos Bay Wagon Road grant land as are or may hereafter come under the jurisdiction of the Department of the Interior, which have heretofore
or may hereafter be classified as timberlands, and power-site land valuable for timber, that shall be managed, except as provided in the former section 3 of the Act of August 28, 1937 (50 Stat. 875; 43 U.S.C. 1181c), for permanent forest production.

“(8) 50-percent adjusted share.—The term ‘50-percent adjusted share’ means the number equal to the quotient obtained by dividing—

“(A) the number equal to the quotient obtained by dividing—

“(i) the 50-percent base share for the eligible county; by

“(ii) the income adjustment for the eligible county; by

“(B) the number equal to the sum of the quotients obtained under subparagraph (A) and paragraph (1)(A) for all eligible counties.

“(9) 50-percent base share.—The term ‘50-percent base share’ means the number equal to the average of—

“(A) the quotient obtained by dividing—

“(i) the number of acres of Federal land described in paragraph (7)(B) in each eligible county; by
“(ii) the total number acres of Federal land in all eligible counties in all eligible States; and

“(B) the quotient obtained by dividing—

“(i) the amount equal to the average of the 3 highest 50-percent payments made to each eligible county during the eligibility period; by

“(ii) the amount equal to the sum of the amounts calculated under clause (i) and paragraph (2)(B)(i) for all eligible counties in all eligible States during the eligibility period.

“(10) 50-PERCENT PAYMENT.—The term ‘50-percent payment’ means the payment that is the sum of the 50-percent share otherwise paid to a county pursuant to title II of the Act of August 28, 1937 (chapter 876; 50 Stat. 875; 43 U.S.C. 1181f), and the payment made to a county pursuant to the Act of May 24, 1939 (chapter 144; 53 Stat. 753; 43 U.S.C. 1181f–1 et seq.).

“(11) FULL FUNDING AMOUNT.—The term ‘full funding amount’ means—

“(A) $500,000,000 for fiscal year 2008; and
“(B) for fiscal year 2009 and each fiscal year thereafter, the amount that is equal to 90 percent of the full funding amount for the preceding fiscal year.

“(12) INCOME ADJUSTMENT.—The term ‘income adjustment’ means the square of the quotient obtained by dividing—

“(A) the per capita personal income for each eligible county; by

“(B) the median per capita personal income of all eligible counties.

“(13) PER CAPITA PERSONAL INCOME. —The term ‘per capita personal income’ means the most recent per capita personal income data, as determined by the Bureau of Economic Analysis.

“(14) SAFETY NET PAYMENTS. —The term ‘safety net payments’ means the special payment amounts paid to States and counties required by section 13982 or 13983 of the Omnibus Budget Reconciliation Act of 1993 (Public Law 103–66; 16 U.S.C. 500 note; 43 U.S.C. 1181f note).

“(15) SECRETARY CONCERNED. —The term ‘Secretary concerned’ means—

“(A) the Secretary of Agriculture or the designee of the Secretary of Agriculture with
respect to the Federal land described in paragraph (7)(A); and

“(B) the Secretary of the Interior or the designee of the Secretary of the Interior with respect to the Federal land described in paragraph (7)(B).

“(16) STATE PAYMENT.—The term ‘State payment’ means the payment for an eligible State calculated under section 101(a).

“(17) 25-PERCENT PAYMENT.—The term ‘25-percent payment’ means the payment to States required by the sixth paragraph under the heading of ‘FOREST SERVICE’ in the Act of May 23, 1908 (35 Stat. 260; 16 U.S.C. 500), and section 13 of the Act of March 1, 1911 (36 Stat. 963; 16 U.S.C. 500).

“TITLE I—SECURE PAYMENTS FOR STATES AND COUNTIES CONTAINING FEDERAL LAND

“SEC. 101. SECURE PAYMENTS FOR STATES CONTAINING FEDERAL LAND.

“(a) STATE PAYMENT.—For each of fiscal years 2008 through 2011, the Secretary of Agriculture shall calculate for each eligible State an amount equal to the sum of the products obtained by multiplying—
“(1) the adjusted share for each eligible county
within the eligible State; by
“(2) the full funding amount for the fiscal year.
“(b) COUNTY PAYMENT.—For each of fiscal years
2008 through 2011, the Secretary of the Interior shall cal-
culate for each eligible county that received a 50-percent
payment during the eligibility period an amount equal to
the product obtained by multiplying—
“(1) the 50-percent adjusted share for the eligi-
ble county; by
“(2) the full funding amount for the fiscal year.

“SEC. 102. PAYMENTS TO STATES AND COUNTIES.
“(a) PAYMENT AMOUNTS.—Except as provided in
section 103, the Secretary of the Treasury shall pay to—
“(1) a State or territory of the United States
an amount equal to the sum of the amounts elected
under subsection (b) by each county within the State
or territory for—
“(A) if the county is eligible for the 25-
percent payment, the share of the 25-percent
payment; or
“(B) the share of the State payment of the
eligible county; and
“(2) a county an amount equal to the amount
elected under subsection (b) by each county for—
“(A) if the county is eligible for the 50-
percent payment, the 50-percent payment; or
“(B) the county payment for the eligible
county.
“(b) ELECTION TO RECEIVE PAYMENT AMOUNT.—
“(1) ELECTION; SUBMISSION OF RESULTS.—
“(A) IN GENERAL.—The election to receive
a share of the State payment, the county pay-
ment, a share of the State payment and the
county payment, a share of the 25-percent pay-
ment, the 50-percent payment, or a share of the
25-percent payment and the 50-percent pay-
ment, as applicable, shall be made at the discre-
tion of each affected county by August 1, 2008
(or as soon thereafter as the Secretary con-
cerned determines is practicable), and August 1
of each second fiscal year thereafter, in accord-
ance with paragraph (2), and transmitted to
the Secretary concerned by the Governor of
each eligible State.
“(B) FAILURE TO TRANSMIT.—If an elec-
tion for an affected county is not transmitted to
the Secretary concerned by the date specified
under subparagraph (A), the affected county
shall be considered to have elected to receive a
share of the State payment, the county pay-
ment, or a share of the State payment and the
county payment, as applicable.

“(2) Duration of Election.—

“(A) In General.—A county election to
receive a share of the 25-percent payment or
50-percent payment, as applicable, shall be ef-
fective for 2 fiscal years.

“(B) Full Funding Amount.—If a coun-
ty elects to receive a share of the State payment
or the county payment, the election shall be ef-
fective for all subsequent fiscal years through
fiscal year 2011.

“(3) Source of Payment Amounts.—The
payment to an eligible State or eligible county under
this section for a fiscal year shall be derived from—

“(A) any amounts that are appropriated to
carry out this Act;

“(B) any revenues, fees, penalties, or mis-
cellaneous receipts, exclusive of deposits to any
relevant trust fund, special account, or perma-
nent operating funds, received by the Federal
Government from activities by the Bureau of
Land Management or the Forest Service on the
applicable Federal land; and
“(C) to the extent of any shortfall, out of any amounts in the Treasury of the United States not otherwise appropriated.

“(c) DISTRIBUTION AND EXPENDITURE OF PAYMENTS.—

“(1) DISTRIBUTION METHOD.—A State that receives a payment under subsection (a) for Federal land described in section 3(7)(A) shall distribute the appropriate payment amount among the appropriate counties in the State in accordance with—

“(A) the Act of May 23, 1908 (16 U.S.C. 500); and


“(2) EXPENDITURE PURPOSES.—Subject to subsection (d), payments received by a State under subsection (a) and distributed to counties in accordance with paragraph (1) shall be expended as required by the laws referred to in paragraph (1).

“(d) EXPENDITURE RULES FOR ELIGIBLE COUNTIES.—

“(1) ALLOCATIONS.—

“(A) USE OF PORTION IN SAME MANNER AS 25-PERCENT PAYMENT OR 50-PERCENT PAYMENT, AS APPLICABLE.—Except as provided in
paragraph (3)(B), if an eligible county elects to receive its share of the State payment or the county payment, not less than 80 percent, but not more than 85 percent, of the funds shall be expended in the same manner in which the 25-percent payments or 50-percent payment, as applicable, are required to be expended.

“(B) ELECTION AS TO USE OF BALANCE.—Except as provided in subparagraph (C), an eligible county shall elect to do 1 or more of the following with the balance of any funds not expended pursuant to subparagraph (A):

“(i) Reserve any portion of the balance for projects in accordance with title II.

“(ii) Reserve not more than 7 percent of the total share for the eligible county of the State payment or the county payment for projects in accordance with title III.

“(iii) Return the portion of the balance not reserved under clauses (i) and (ii) to the Treasury of the United States.

“(C) COUNTIES WITH MODEST DISTRIBUTIONS.—In the case of each eligible county to
which more than $100,000, but less than $350,000, is distributed for any fiscal year pursuant to either or both of paragraphs (1)(B) and (2)(B) of subsection (a), the eligible county, with respect to the balance of any funds not expended pursuant to subparagraph (A) for that fiscal year, shall—

“(i) reserve any portion of the balance for—

“(I) carrying out projects under title II;

“(II) carrying out projects under title III; or

“(III) a combination of the purposes described in subclauses (I) and (II); or

“(ii) return the portion of the balance not reserved under clause (i) to the Treasury of the United States.

“(2) DISTRIBUTION OF FUNDS.—

“(A) IN GENERAL.—Funds reserved by an eligible county under subparagraph (B)(i) or (C)(i) of paragraph (1) for carrying out projects under title II shall be deposited in a
special account in the Treasury of the United States.

“(B) AVAILABILITY.—Amounts deposited under subparagraph (A) shall—

“(i) be available for expenditure by the Secretary concerned, without further appropriation; and

“(ii) remain available until expended in accordance with title II.

“(3) ELECTION.—

“(A) Notification.—

“(i) IN GENERAL.—An eligible county shall notify the Secretary concerned of an election by the eligible county under this subsection not later than September 30, 2008 (or as soon thereafter as the Secretary concerned determines is practicable), and September 30 of each fiscal year thereafter.

“(ii) FAILURE TO ELECT.—Except as provided in subparagraph (B), if the eligible county fails to make an election by the date specified in clause (i), the eligible county shall—
“(I) be considered to have elected to expend 85 percent of the funds in accordance with paragraph (1)(A); and

“(II) return the balance to the Treasury of the United States.

“(B) COUNTIES WITH MINOR DISTRIBUTIONS.—In the case of each eligible county to which less than $100,000 is distributed for any fiscal year pursuant to either or both of paragraphs (1)(B) and (2)(B) of subsection (a), the eligible county may elect to expend all the funds in the same manner in which the 25-percent payments or 50-percent payments, as applicable, are required to be expended.

“(c) TIME FOR PAYMENT.—The payments required under this section for a fiscal year shall be made as soon as practicable after the end of that fiscal year.

“SEC. 103. TRANSITION PAYMENTS TO STATES.

“(a) DEFINITIONS.—In this section:

“(1) ADJUSTED AMOUNT.—The term ‘adjusted amount’ means, with respect to a covered State—

“(A) for fiscal year 2008, 90 percent of—

“(i) the sum of the amounts paid for fiscal year 2006 under section 102(a)(2)
(as in effect on September 29, 2006) for
the eligible counties in the covered State
that have elected under section 102(b) to
receive a share of the State payment for
fiscal year 2008; and

“(ii) the sum of the amounts paid for
fiscal year 2006 under section 103(a)(2)
(as in effect on September 29, 2006) for
the eligible counties in the State of Oregon
that have elected under section 102(b) to
receive the county payment for fiscal year
2008;

“(B) for fiscal year 2009, 76 percent of—

“(i) the sum of the amounts paid for
fiscal year 2006 under section 102(a)(2)
(as in effect on September 29, 2006) for
the eligible counties in the covered State
that have elected under section 102(b) to
receive a share of the State payment for
fiscal year 2009; and

“(ii) the sum of the amounts paid for
fiscal year 2006 under section 103(a)(2)
(as in effect on September 29, 2006) for
the eligible counties in the State of Oregon
that have elected under section 102(b) to
receive the county payment for fiscal year 2009; and

“(C) for fiscal year 2010, 65 percent of—

“(i) the sum of the amounts paid for fiscal year 2006 under section 102(a)(2) (as in effect on September 29, 2006) for the eligible counties in the covered State that have elected under section 102(b) to receive a share of the State payment for fiscal year 2010; and

“(ii) the sum of the amounts paid for fiscal year 2006 under section 103(a)(2) (as in effect on September 29, 2006) for the eligible counties in the State of Oregon that have elected under section 102(b) to receive the county payment for fiscal year 2010.

“(2) COVERED STATE.—The term ‘covered State’ means each of the States of California, Louisiana, Oregon, Pennsylvania, South Carolina, South Dakota, Texas, and Washington.

“(b) TRANSITION PAYMENTS.—For each of fiscal years 2008 through 2010, in lieu of the payment amounts that otherwise would have been made under paragraphs (1)(B) and (2)(B) of section 102(a), the Secretary of the
Treasury shall pay the adjusted amount to each covered State and the eligible counties within the covered State, as applicable.

“(c) DISTRIBUTION OF ADJUSTED AMOUNT.—Except as provided in subsection (d), it is the intent of Congress that the method of distributing the payments under subsection (b) among the counties in the covered States for each of fiscal years 2008 through 2010 be in the same proportion that the payments were distributed to the eligible counties in fiscal year 2006.

“(d) DISTRIBUTION OF PAYMENTS IN CALIFORNIA.—The following payments shall be distributed among the eligible counties in the State of California in the same proportion that payments under section 102(a)(2) (as in effect on September 29, 2006) were distributed to the eligible counties for fiscal year 2006:

“(1) Payments to the State of California under subsection (b).

“(2) The shares of the eligible counties of the State payment for California under section 102 for fiscal year 2011.

“(e) TREATMENT OF PAYMENTS.—For purposes of this Act, any payment made under subsection (b) shall be considered to be a payment made under section 102(a).
TITLE II—SPECIAL PROJECTS ON FEDERAL LAND

SEC. 201. DEFINITIONS.

“In this title:

“(1) Participating county.—The term ‘participating county’ means an eligible county that elects under section 102(d) to expend a portion of the Federal funds received under section 102 in accordance with this title.

“(2) Project funds.—The term ‘project funds’ means all funds an eligible county elects under section 102(d) to reserve for expenditure in accordance with this title.

“(3) Resource advisory committee.—The term ‘resource advisory committee’ means—

“(A) an advisory committee established by the Secretary concerned under section 205; or

“(B) an advisory committee determined by the Secretary concerned to meet the requirements of section 205.

“(4) Resource management plan.—The term ‘resource management plan’ means—

“(A) a land use plan prepared by the Bureau of Land Management for units of the Federal land described in section 3(7)(B) pursuant
to section 202 of the Federal Land Policy and
Management Act of 1976 (43 U.S.C. 1712); or
“(B) a land and resource management
plan prepared by the Forest Service for units of
the National Forest System pursuant to section
6 of the Forest and Rangeland Renewable Re-
1604).

“SEC. 202. GENERAL LIMITATION ON USE OF PROJECT
Funds.
“(a) Limitation.—Project funds shall be expended
solely on projects that meet the requirements of this title.
“(b) Authorized Uses.—Project funds may be
used by the Secretary concerned for the purpose of enter-
ing into and implementing cooperative agreements with
willing Federal agencies, State and local governments, pri-
vate and nonprofit entities, and landowners for protection,
restoration, and enhancement of fish and wildlife habitat,
and other resource objectives consistent with the purposes
of this Act on Federal land and on non-Federal land where
projects would benefit the resources on Federal land.

“SEC. 203. SUBMISSION OF PROJECT PROPOSALS.
“(a) Submission of Project Proposals to Sec-
retary Concerned.—
“(1) Projects Funded Using Project Funds.—Not later than September 30 for fiscal year 2008 (or as soon thereafter as the Secretary concerned determines is practicable), and each September 30 thereafter for each succeeding fiscal year through fiscal year 2011, each resource advisory committee shall submit to the Secretary concerned a description of any projects that the resource advisory committee proposes the Secretary undertake using any project funds reserved by eligible counties in the area in which the resource advisory committee has geographic jurisdiction.

“(2) Projects Funded Using Other Funds.—A resource advisory committee may submit to the Secretary concerned a description of any projects that the committee proposes the Secretary undertake using funds from State or local governments, or from the private sector, other than project funds and funds appropriated and otherwise available to do similar work.

“(3) Joint Projects.—Participating counties or other persons may propose to pool project funds or other funds, described in paragraph (2), and jointly propose a project or group of projects to a re-
source advisory committee established under section 205.

“(b) **Required Description of Projects.**—In submitting proposed projects to the Secretary concerned under subsection (a), a resource advisory committee shall include in the description of each proposed project the following information:

“(1) The purpose of the project and a description of how the project will meet the purposes of this title.

“(2) The anticipated duration of the project.

“(3) The anticipated cost of the project.

“(4) The proposed source of funding for the project, whether project funds or other funds.

“(5)(A) Expected outcomes, including how the project will meet or exceed desired ecological conditions, maintenance objectives, or stewardship objectives.

“(B) An estimate of the amount of any timber, forage, and other commodities and other economic activity, including jobs generated, if any, anticipated as part of the project.

“(6) A detailed monitoring plan, including funding needs and sources, that—
“(A) tracks and identifies the positive or negative impacts of the project, implementation, and provides for validation monitoring; and

“(B) includes an assessment of the following:

“(i) Whether or not the project met or exceeded desired ecological conditions; created local employment or training opportunities, including summer youth jobs programs such as the Youth Conservation Corps where appropriate.

“(ii) Whether the project improved the use of, or added value to, any products removed from land consistent with the purposes of this title.

“(7) An assessment that the project is to be in the public interest.

“(c) AUTHORIZED PROJECTS.—Projects proposed under subsection (a) shall be consistent with section 2.

“SEC. 204. EVALUATION AND APPROVAL OF PROJECTS BY SECRETARY CONCERNED.

“(a) CONDITIONS FOR APPROVAL OF PROPOSED PROJECT.—The Secretary concerned may make a decision to approve a project submitted by a resource advisory com-
mittee under section 203 only if the proposed project satisfies each of the following conditions:

“(1) The project complies with all applicable Federal laws (including regulations).

“(2) The project is consistent with the applicable resource management plan and with any watershed or subsequent plan developed pursuant to the resource management plan and approved by the Secretary concerned.

“(3) The project has been approved by the resource advisory committee in accordance with section 205, including the procedures issued under subsection (e) of that section.

“(4) A project description has been submitted by the resource advisory committee to the Secretary concerned in accordance with section 203.

“(5) The project will improve the maintenance of existing infrastructure, implement stewardship objectives that enhance forest ecosystems, and restore and improve land health and water quality.

“(b) ENVIRONMENTAL REVIEWS.—

“(1) REQUEST FOR PAYMENT BY COUNTY.—

The Secretary concerned may request the resource advisory committee submitting a proposed project to agree to the use of project funds to pay for any envi-
rnonmental review, consultation, or compliance with applicable environmental laws required in connection with the project.

“(2) Conduct of Environmental Review.— If a payment is requested under paragraph (1) and the resource advisory committee agrees to the expenditure of funds for this purpose, the Secretary concerned shall conduct environmental review, consultation, or other compliance responsibilities in accordance with Federal laws (including regulations).

“(3) Effect of Refusal to Pay.—

“(A) In General.—If a resource advisory committee does not agree to the expenditure of funds under paragraph (1), the project shall be deemed withdrawn from further consideration by the Secretary concerned pursuant to this title.

“(B) Effect of Withdrawal.—A withdrawal under subparagraph (A) shall be deemed to be a rejection of the project for purposes of section 207(c).

“(c) Decisions of Secretary Concerned.—

“(1) Rejection of Projects.—

“(A) In General.—A decision by the Secretary concerned to reject a proposed project
shall be at the sole discretion of the Secretary concerned.

“(B) NO ADMINISTRATIVE APPEAL OR JUDICIAL REVIEW.—Notwithstanding any other provision of law, a decision by the Secretary concerned to reject a proposed project shall not be subject to administrative appeal or judicial review.

“(C) NOTICE OF REJECTION.—Not later than 30 days after the date on which the Secretary concerned makes the rejection decision, the Secretary concerned shall notify in writing the resource advisory committee that submitted the proposed project of the rejection and the reasons for rejection.

“(2) NOTICE OF PROJECT APPROVAL.—The Secretary concerned shall publish in the Federal Register notice of each project approved under subsection (a) if the notice would be required had the project originated with the Secretary.

“(d) SOURCE AND CONDUCT OF PROJECT.—Once the Secretary concerned accepts a project for review under section 203, the acceptance shall be deemed a Federal action for all purposes.

“(e) IMPLEMENTATION OF APPROVED PROJECTS.—
“(1) Cooperation.—Notwithstanding chapter 63 of title 31, United States Code, using project funds the Secretary concerned may enter into contracts, grants, and cooperative agreements with States and local governments, private and nonprofit entities, and landowners and other persons to assist the Secretary in carrying out an approved project.

“(2) Best value contracting.—

“(A) In general.—For any project involving a contract authorized by paragraph (1) the Secretary concerned may elect a source for performance of the contract on a best value basis.

“(B) Factors.—The Secretary concerned shall determine best value based on such factors as—

“(i) the technical demands and complexity of the work to be done;

“(ii)(I) the ecological objectives of the project; and

“(II) the sensitivity of the resources being treated;

“(iii) the past experience by the contractor with the type of work being done, using the type of equipment proposed for
the project, and meeting or exceeding desired ecological conditions; and

“(iv) the commitment of the contractor to hiring highly qualified workers and local residents.

“(3) MERCHANTABLE TIMBER CONTRACTING PILOT PROGRAM.—

“(A) ESTABLISHMENT.—The Secretary concerned shall establish a pilot program to implement a certain percentage of approved projects involving the sale of merchantable timber using separate contracts for—

“(i) the harvesting or collection of merchantable timber; and

“(ii) the sale of the timber.

“(B) ANNUAL PERCENTAGES.—Under the pilot program, the Secretary concerned shall ensure that, on a nationwide basis, not less than the following percentage of all approved projects involving the sale of merchantable timber are implemented using separate contracts:

“(i) For fiscal year 2008, 35 percent.

“(ii) For fiscal year 2009, 45 percent.

“(iii) For each of fiscal years 2010 and 2011, 50 percent.
“(C) Inclusion in Pilot Program.—The decision whether to use separate contracts to implement a project involving the sale of merchantable timber shall be made by the Secretary concerned after the approval of the project under this title.

“(D) Assistance.—

“(i) In General.—The Secretary concerned may use funds from any appropriated account available to the Secretary for the Federal land to assist in the administration of projects conducted under the pilot program.

“(ii) Maximum Amount of Assistance.—The total amount obligated under this subparagraph may not exceed $1,000,000 for any fiscal year during which the pilot program is in effect.

“(E) Review and Report.—

“(i) Initial Report.—Not later than September 30, 2010, the Comptroller General shall submit to the Committees on Agriculture, Nutrition, and Forestry and Energy and Natural Resources of the Senate and the Committees on Agriculture and
Natural Resources of the House of Representatives a report assessing the pilot program.

“(ii) Annual report.—The Secretary concerned shall submit to the Committees on Agriculture, Nutrition, and Forestry and Energy and Natural Resources of the Senate and the Committees on Agriculture and Natural Resources of the House of Representatives an annual report describing the results of the pilot program.

“(f) Requirements for project funds.—The Secretary shall ensure that at least 50 percent of all project funds be used for projects that are primarily dedicated—

“(1) to road maintenance, decommissioning, or obilitation; or

“(2) to restoration of streams and watersheds.

“Sec. 205. Resource Advisory Committees.

“(a) Establishment and purpose of resource advisory committees.—

“(1) Establishment.—The Secretary concerned shall establish and maintain resource advisory committees to perform the duties in subsection (b), except as provided in paragraph (4).
“(2) PURPOSE.—The purpose of a resource advisory committee shall be—

“(A) to improve collaborative relationships; and

“(B) to provide advice and recommendations to the land management agencies consistent with the purposes of this title.

“(3) ACCESS TO RESOURCE ADVISORY COMMITTEES.—To ensure that each unit of Federal land has access to a resource advisory committee, and that there is sufficient interest in participation on a committee to ensure that membership can be balanced in terms of the points of view represented and the functions to be performed, the Secretary concerned may, establish resource advisory committees for part of, or 1 or more, units of Federal land.

“(4) EXISTING ADVISORY COMMITTEES.—

“(A) IN GENERAL.—An advisory committee that meets the requirements of this section, a resource advisory committee established before September 29, 2006, or an advisory committee determined by the Secretary concerned before September 29, 2006, to meet the requirements of this section may be deemed by
the Secretary concerned to be a resource advisory committee for the purposes of this title.

“(B) **CHARTER.**—A charter for a committee described in subparagraph (A) that was filed on or before September 29, 2006, shall be considered to be filed for purposes of this Act.

“(C) **BUREAU OF LAND MANAGEMENT ADVISORY COMMITTEES.**—The Secretary of the Interior may deem a resource advisory committee meeting the requirements of subpart 1784 of part 1780 of title 43, Code of Federal Regulations, as a resource advisory committee for the purposes of this title.

“(b) **DUTIES.**—A resource advisory committee shall—

“(1) review projects proposed under this title by participating counties and other persons;

“(2) propose projects and funding to the Secretary concerned under section 203;

“(3) provide early and continuous coordination with appropriate land management agency officials in recommending projects consistent with purposes of this Act under this title;

“(4) provide frequent opportunities for citizens, organizations, tribes, land management agencies,
and other interested parties to participate openly
and meaningfully, beginning at the early stages of
the project development process under this title;

“(5)(A) monitor projects that have been ap-
proved under section 204; and

“(B) advise the designated Federal official on
the progress of the monitoring efforts under sub-
paragraph (A); and

“(6) make recommendations to the Secretary
concerned for any appropriate changes or adjust-
ments to the projects being monitored by the re-
source advisory committee.

“(c) APPOINTMENT BY THE SECRETARY.—

“(1) APPOINTMENT AND TERM.—

“(A) IN GENERAL.—The Secretary con-
cerned, shall appoint the members of resource
advisory committees for a term of 4 years be-
ginning on the date of appointment.

“(B) REAPPOINTMENT.—The Secretary
concerned may reappoint members to subse-
quent 4-year terms.

“(2) BASIC REQUIREMENTS.—The Secretary
concerned shall ensure that each resource advisory
committee established meets the requirements of
subsection (d).
“(3) INITIAL APPOINTMENT.—Not later than 180 days after the date of the enactment of this Act, the Secretary concerned shall make initial appointments to the resource advisory committees.

“(4) VACANCIES.—The Secretary concerned shall make appointments to fill vacancies on any resource advisory committee as soon as practicable after the vacancy has occurred.

“(5) COMPENSATION.—Members of the resource advisory committees shall not receive any compensation.

“(d) COMPOSITION OF ADVISORY COMMITTEE.—

“(1) NUMBER.—Each resource advisory committee shall be comprised of 15 members.

“(2) COMMUNITY INTERESTS REPRESENTED.— Committee members shall be representative of the interests of the following 3 categories:

“(A) 5 persons that—

“(i) represent organized labor or non-timber forest product harvester groups;

“(ii) represent developed outdoor recreation, off highway vehicle users, or commercial recreation activities;

“(iii) represent—
“(I) energy and mineral development interests; or

“(II) commercial or recreational fishing interests;

“(iv) represent the commercial timber industry; or

“(v) hold Federal grazing or other land use permits, or represent nonindustrial private forest land owners, within the area for which the committee is organized.

“(B) 5 persons that represent—

“(i) nationally recognized environmental organizations;

“(ii) regionally or locally recognized environmental organizations;

“(iii) dispersed recreational activities;

“(iv) archaeological and historical interests; or

“(v) nationally or regionally recognized wild horse and burro interest groups, wildlife or hunting organizations, or watershed associations.

“(C) 5 persons that—

“(i) hold State elected office (or a designee);
“(ii) hold county or local elected office;

“(iii) represent American Indian tribes within or adjacent to the area for which the committee is organized;

“(iv) are school officials or teachers;

or

“(v) represent the affected public at large.

“(3) B ALANCED REPRESENTATION.—In appointing committee members from the 3 categories in paragraph (2), the Secretary concerned shall provide for balanced and broad representation from within each category.

“(4) G EOGRAPHIC DISTRIBUTION.—The members of a resource advisory committee shall reside within the State in which the committee has jurisdiction and, to extent practicable, the Secretary concerned shall ensure local representation in each category in paragraph (2).

“(5) C HAIRPERSON.—A majority on each resource advisory committee shall select the chairperson of the committee.

“(e) A PPROVAL PROCEDURES.—
“(1) **IN GENERAL.**—Subject to paragraph (3), each resource advisory committee shall establish procedures for proposing projects to the Secretary concerned under this title.

“(2) **QUORUM.**—A quorum must be present to constitute an official meeting of the committee.

“(3) **APPROVAL BY MAJORITY OF MEMBERS.**—A project may be proposed by a resource advisory committee to the Secretary concerned under section 203(a), if the project has been approved by a majority of members of the committee from each of the 3 categories in subsection (d)(2).

“(f) **OTHER COMMITTEE AUTHORITIES AND REQUIREMENTS.**—

“(1) **STAFF ASSISTANCE.**—A resource advisory committee may submit to the Secretary concerned a request for periodic staff assistance from Federal employees under the jurisdiction of the Secretary.

“(2) **MEETINGS.**—All meetings of a resource advisory committee shall be announced at least 1 week in advance in a local newspaper of record and shall be open to the public.

“(3) **RECORDS.**—A resource advisory committee shall maintain records of the meetings of the com-
mittee and make the records available for public in-
spection.

“SEC. 206. USE OF PROJECT FUNDS.

“(a) AGREEMENT REGARDING SCHEDULE AND COST OF PROJECT.—

“(1) AGREEMENT BETWEEN PARTIES.—The Secretary concerned may carry out a project sub-
mitted by a resource advisory committee under sec-
tion 203(a) using project funds or other funds de-
scribed in section 203(a)(2), if, as soon as prac-
ticable after the issuance of a decision document for
the project and the exhaustion of all administrative
appeals and judicial review of the project decision,
the Secretary concerned and the resource advisory
committee enter into an agreement addressing, at a
minimum, the following:

“(A) The schedule for completing the
project.

“(B) The total cost of the project, includ-
ing the level of agency overhead to be assessed
against the project.

“(C) For a multiyear project, the esti-
mated cost of the project for each of the fiscal
years in which it will be carried out.
“(D) The remedies for failure of the Secretary concerned to comply with the terms of the agreement consistent with current Federal law.

“(2) Limited use of Federal funds.—The Secretary concerned may decide, at the sole discretion of the Secretary concerned, to cover the costs of a portion of an approved project using Federal funds appropriated or otherwise available to the Secretary for the same purposes as the project.

“(b) Transfer of project funds.—

“(1) Initial transfer required.—As soon as practicable after the agreement is reached under subsection (a) with regard to a project to be funded in whole or in part using project funds, or other funds described in section 203(a)(2), the Secretary concerned shall transfer to the applicable unit of National Forest System land or Bureau of Land Management District an amount of project funds equal to—

“(A) in the case of a project to be completed in a single fiscal year, the total amount specified in the agreement to be paid using project funds, or other funds described in section 203(a)(2); or
“(B) in the case of a multiyear project, the amount specified in the agreement to be paid using project funds, or other funds described in section 203(a)(2) for the first fiscal year.

“(2) CONDITION ON PROJECT COMMENCEMENT.—The unit of National Forest System land or Bureau of Land Management District concerned, shall not commence a project until the project funds, or other funds described in section 203(a)(2) required to be transferred under paragraph (1) for the project, have been made available by the Secretary concerned.

“(3) SUBSEQUENT TRANSFERS FOR MULTIYEAR PROJECTS.—

“(A) IN GENERAL.—For the second and subsequent fiscal years of a multiyear project to be funded in whole or in part using project funds, the unit of National Forest System land or Bureau of Land Management District concerned shall use the amount of project funds required to continue the project in that fiscal year according to the agreement entered into under subsection (a).

“(B) SUSPENSION OF WORK.—The Secretary concerned shall suspend work on the
project if the project funds required by the
agreement in the second and subsequent fiscal
years are not available.

“SEC. 207. AVAILABILITY OF PROJECT FUNDS.

“(a) Submission of Proposed Projects To Oblige Funds.—By September 30, 2008 (or as soon there-
after as the Secretary concerned determines is prac-
ticable), and each September 30 thereafter for each suc-
ceeding fiscal year through fiscal year 2011, a resource
advisory committee shall submit to the Secretary con-
cerned pursuant to section 203(a)(1) a sufficient number
of project proposals that, if approved, would result in the
obligation of at least the full amount of the project funds
reserved by the participating county in the preceding fiscal
year.

“(b) Use or Transfer of Unobligated Funds.—Subject to section 208, if a resource advisory
committee fails to comply with subsection (a) for a fiscal
year, any project funds reserved by the participating coun-
ty in the preceding fiscal year and remaining unobligated
shall be available for use as part of the project submissions
in the next fiscal year.

“(c) Effect of Rejection of Projects.—Subject
to section 208, any project funds reserved by a partici-
pating county in the preceding fiscal year that are unobli-
gated at the end of a fiscal year because the Secretary concerned has rejected one or more proposed projects shall be available for use as part of the project submissions in the next fiscal year.

“(d) Effect of Court Orders.—

“(1) In general.—If an approved project under this Act is enjoined or prohibited by a Federal court, the Secretary concerned shall return the unobligated project funds related to the project to the participating county or counties that reserved the funds.

“(2) Expenditure of funds.—The returned funds shall be available for the county to expend in the same manner as the funds reserved by the county under subparagraph (B) or (C)(i) of section 102(d)(1).

“SEC. 208. TERMINATION OF AUTHORITY.

“(a) In general.—The authority to initiate projects under this title shall terminate on September 30, 2011.

“(b) Deposits in Treasury.—Any project funds not obligated by September 30, 2012, shall be deposited in the Treasury of the United States.

“TITLE III—COUNTY FUNDS

“SEC. 301. DEFINITIONS.

“In this title:
“(1) COUNTY FUNDS.—The term ‘county funds’ means all funds an eligible county elects under section 102(d) to reserve for expenditure in accordance with this title.

“(2) PARTICIPATING COUNTY.—The term ‘participating county’ means an eligible county that elects under section 102(d) to expend a portion of the Federal funds received under section 102 in accordance with this title.

“SEC. 302. USE.

“(a) AUTHORIZED USES.—A participating county, including any applicable agencies of the participating county, shall use county funds, in accordance with this title, only—

“(1) to carry out activities under the Firewise Communities program to provide to homeowners in fire-sensitive ecosystems education on, and assistance with implementing, techniques in home siting, home construction, and home landscaping that can increase the protection of people and property from wildfires;

“(2) to reimburse the participating county for search and rescue and other emergency services, including firefighting, that are—
“(A) performed on Federal land after the date on which the use was approved under subsection (b);

“(B) paid for by the participating county; and

“(3) to develop community wildfire protection plans in coordination with the appropriate Secretary concerned.

“(b) PROPOSALS.—A participating county shall use county funds for a use described in subsection (a) only after a 45-day public comment period, at the beginning of which the participating county shall—

“(1) publish in any publications of local record a proposal that describes the proposed use of the county funds; and

“(2) submit the proposal to any resource advisory committee established under section 205 for the participating county.

“SEC. 303. CERTIFICATION.

“(a) IN GENERAL.—Not later than February 1 of the year after the year in which any county funds were expended by a participating county, the appropriate official of the participating county shall submit to the Secretary concerned a certification that the county funds expended in the applicable year have been used for the uses author-
ized under section 302(a), including a description of the amounts expended and the uses for which the amounts were expended.

“(b) REVIEW.—The Secretary concerned shall review the certifications submitted under subsection (a) as the Secretary concerned determines to be appropriate.

“SEC. 304. TERMINATION OF AUTHORITY.

“(a) IN GENERAL.—The authority to initiate projects under this title terminates on September 30, 2011.

“(b) AVAILABILITY.—Any county funds not obligated by September 30, 2012, shall be returned to the Treasury of the United States.

“TITLE IV—MISCELLANEOUS PROVISIONS

“SEC. 401. REGULATIONS.

“The Secretary of Agriculture and the Secretary of the Interior shall issue regulations to carry out the purposes of this Act.

“SEC. 402. AUTHORIZATION OF APPROPRIATIONS.

“There are authorized to be appropriated such sums as are necessary to carry out this Act for each of fiscal years 2008 through 2011.

“SEC. 403. TREATMENT OF FUNDS AND REVENUES.

“(a) RELATION TO OTHER APPROPRIATIONS.— Funds made available under section 402 and funds made
available to a Secretary concerned under section 206 shall be in addition to any other annual appropriations for the Forest Service and the Bureau of Land Management.

“(b) DEPOSIT OF REVENUES AND OTHER FUNDS.— All revenues generated from projects pursuant to title II, including any interest accrued from the revenues, shall be deposited in the Treasury of the United States.”.

(b) FOREST RECEIPT PAYMENTS TO ELIGIBLE STATES AND COUNTIES.—

(1) ACT OF MAY 23, 1908.—The sixth paragraph under the heading “FOREST SERVICE” in the Act of May 23, 1908 (16 U.S.C. 500) is amended in the first sentence by striking “twenty-five percentum” and all that follows through “shall be paid” and inserting the following: “an amount equal to the annual average of 25 percent of all amounts received for the applicable fiscal year and each of the preceding 6 fiscal years from each national forest shall be paid”.

(2) WEEKS LAW.—Section 13 of the Act of March 1, 1911 (commonly known as the “Weeks Law”) (16 U.S.C. 500) is amended in the first sentence by striking “twenty-five percentum” and all that follows through “shall be paid” and inserting the following: “an amount equal to the annual aver-
age of 25 percent of all amounts received for the applicable fiscal year and each of the preceding 6 fiscal years from each national forest shall be paid”.

(c) Payments in Lieu of Taxes.—

(1) In general.—Section 6906 of title 31, United States Code, is amended to read as follows:

“§ 6906. Funding

“For each of fiscal years 2008 through 2012—

“(1) each county or other eligible unit of local government shall be entitled to payment under this chapter; and

“(2) sums shall be made available to the Secretary of the Interior for obligation or expenditure in accordance with this chapter.”.

(2) Conforming Amendment.—The table of sections for chapter 69 of title 31, United States Code, is amended by striking the item relating to section 6906 and inserting the following:

“6906. Funding.”.

(3) Budget Scorekeeping.—

(A) In general.—Notwithstanding the Budget Scorekeeping Guidelines and the accompanying list of programs and accounts set forth in the joint explanatory statement of the committee of conference accompanying Conference Report 105–217, the section in this title re-
garding Payments in Lieu of Taxes shall be treated in the baseline for purposes of section 257 of the Balanced Budget and Emergency Deficit Control Act of 1985 (as in effect prior to September 30, 2002), and by the Chairmen of the House and Senate Budget Committees, as appropriate, for purposes of budget enforcement in the House and Senate, and under the Congressional Budget Act of 1974 as if Payment in Lieu of Taxes (14–1114–0–1–806) were an account designated as Appropriated Entitlements and Mandatories for Fiscal Year 1997 in the joint explanatory statement of the committee of conference accompanying Conference Report 105–217.

(B) EFFECTIVE DATE.—This paragraph shall remain in effect for the fiscal years to which the entitlement in section 6906 of title 31, United States Code (as amended by paragraph (1)), applies.

SEC. 332. CLARIFICATION OF UNIFORM DEFINITION OF CHILD.

(a) CHILD MUST BE YOUNGER THAN CLAIMANT.—Section 152(c)(3)(A) is amended by inserting “is younger
than the taxpayer claiming such individual as a qualifying child and” after “such individual”.

(b) Child Must Be Unmarried.—Section 152(c)(1) is amended by striking “and” at the end of subparagraph (C), by striking the period at the end of subparagraph (D) and inserting “, and”, and by adding at the end the following new subparagraph:

“(E) who has not filed a joint return (other than only for a claim of refund) with the individual’s spouse under section 6013 for the taxable year beginning in the calendar year in which the taxable year of the taxpayer begins.”.

(c) Restrict Qualifying Child Tax Benefits to Child’s Parent.—

(1) Child Tax Credit.—Subsection (a) of section 24 is amended by inserting “for which the taxpayer is allowed a deduction under section 151” after “of the taxpayer”.

(2) Persons Other Than Parents Claiming Qualifying Child.—

(A) In General.—Paragraph (4) of section 152(c) is amended by adding at the end the following new subparagraph:

“(C) No Parent Claiming Qualifying Child.—If the parents of an individual may
claim such individual as a qualifying child but no parent so claims the individual, such individual may be claimed as the qualifying child of another taxpayer but only if the adjusted gross income of such taxpayer is higher than the highest adjusted gross income of any parent of the individual.”.

(B) CONFORMING AMENDMENTS.—

(i) Subparagraph (A) of section 152(c)(4) is amended by striking “Except” through “2 or more taxpayers” and inserting “Except as provided in subparagraphs (B) and (C), if (but for this paragraph) an individual may be claimed as a qualifying child by 2 or more taxpayers”.

(ii) The heading for paragraph (4) of section 152(c) is amended by striking “CLAIMING” and inserting “WHO CAN CLAIM THE SAME”.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2008.
TITLE IV—TRANSPORTATION AND INFRASTRUCTURE

SEC. 401. RESTORATION OF HIGHWAY TRUST FUND BALANCE.

(a) In General.—Subsection (f) of section 9503 is amended—

(1) by redesignating paragraphs (1) and (2) as subparagraphs (A) and (B), respectively, and by moving such subparagraphs 2 ems to the right,

(2) by striking “For purposes” and inserting the following:

“(1) In General.—For purposes”,

(3) by moving the flush sentence at the end of paragraph (1), as so amended, 2 ems to the right, and

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

“(2) Restoration of Fund Balance.—Out of money in the Treasury not otherwise appropriated, there is hereby appropriated to the Highway Trust Fund $8,017,000,000.”.

(b) Conforming Amendment.—The last sentence of section 9503(f)(1), as amended by subsection (a), is amended by striking “subsection” and inserting “paragraph”.
(c) **Effective Date.**—The amendments made by this section shall take effect on September 30, 2008.

**TITLE V—DISASTER RELIEF**

Subtitle A—Relief for Federally Declared Disasters

**SEC. 501. LOSSES ATTRIBUTABLE TO FEDERALLY DECLARED DISASTERS.**

(a) **Waiver of Adjusted Gross Income Limitation.**—

(1) **In general.**—Subsection (h) of section 165 is amended by redesignating paragraphs (3) and (4) as paragraphs (4) and (5), respectively, and by inserting after paragraph (2) the following new paragraph:

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''(3) Special rule for losses in federally declared disasters.——
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(A) **In general.**—If an individual has a net disaster loss for any taxable year, the amount determined under paragraph (2)(A)(ii) shall be the sum of—

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''(i) such net disaster loss, and
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''(ii) so much of the excess referred to in the matter preceding clause (i) of paragraph (2)(A) (reduced by the amount in clause (i) of this subparagraph) as exceeds
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10 percent of the adjusted gross income of the individual.

“(B) Net disaster loss.—For purposes of subparagraph (A), the term ‘net disaster loss’ means the excess of—

“(i) the personal casualty losses—

“(I) attributable to a federally declared disaster, and

“(II) occurring in a disaster area, over

“(ii) personal casualty gains.

“(C) Federally declared disaster.—For purposes of this paragraph—

“(i) Federally declared disaster.—The term ‘federally declared disaster’ means any disaster subsequently determined by the President of the United States to warrant assistance by the Federal Government under the Robert T. Stafford Disaster Relief and Emergency Assistance Act.

“(ii) Disaster area.—The term ‘disaster area’ means the area so determined to warrant such assistance.”.

(2) Conforming amendments.—
(A) Section 165(h)(4)(B) (as so redesignated) is amended by striking “paragraph (2)” and inserting “paragraphs (2) and (3)”.

(B) Section 165(i)(1) is amended by striking “loss” and all that follows through “Act” and inserting “loss occurring in a disaster area (as defined by clause (ii) of subsection (h)(3)(C)) and attributable to a federally declared disaster (as defined by clause (i) of such subsection)”.

(C) Section 165(i)(4) is amended by striking “Presidentially declared disaster (as defined by section 1033(h)(3))” and inserting “federally declared disaster (as defined by subsection (h)(3)(C)(i))”.

(D)(i) So much of subsection (h) of section 1033 as precedes subparagraph (A) of paragraph (1) thereof is amended to read as follows:

“(h) Special Rules for Property Damaged by Federally Declared Disasters.—

“(1) Principal residences.—If the taxpayer’s principal residence or any of its contents is located in a disaster area and is compulsorily or involuntarily converted as a result of a federally declared disaster—”.
(ii) Paragraph (2) of section 1033(h) is amended by striking “investment” and all that follows through “disaster” and inserting “investment located in a disaster area and compulsorily or involuntarily converted as a result of a federally declared disaster”.

(iii) Paragraph (3) of section 1033(h) is amended to read as follows:

“(3) FEDERALLY DECLARED DISASTER; DISASTER AREA.—The terms “federally declared disaster” and “disaster area” shall have the respective meaning given such terms by section 165(h)(3)(C).”.

(iv) Section 139(c)(2) is amended to read as follows:

“(2) federally declared disaster (as defined by section 165(h)(3)(C)(i)),”.

(v) Subclause (II) of section 172(b)(1)(F)(ii) is amended by striking “Presidentially declared disasters (as defined in section 1033(h)(3))” and inserting “federally declared disasters (as defined by subsection (h)(3)(C)(i))”.

(vi) Subclause (III) of section 172(b)(1)(F)(ii) is amended by striking “Presi-
(vii) Subsection (a) of section 7508A is amended by striking “Presidentially declared disaster (as defined in section 1033(h)(3))” and inserting “federally declared disaster (as defined by section 165(h)(3)(C)(i))”.

(b) INCREASE IN STANDARD DEDUCTION BY DISASTER CASUALTY LOSS.—

(1) IN GENERAL.—Paragraph (1) of section 63(c) is amended by striking “and” at the end of subparagraph (B), by striking the period at the end of subparagraph (C) and inserting “, and”, and by adding at the end the following new subparagraph:

“(D) the disaster loss deduction.”.

(2) DISASTER LOSS DEDUCTION.—Subsection (c) of section 63 is amended by adding at the end the following new paragraph:

“(8) DISASTER LOSS DEDUCTION.—For the purposes of paragraph (1), the term ‘disaster loss deduction’ means the net disaster loss (as defined in section 165(h)(3)(B)).”.

(3) ALLOWANCE IN COMPUTING ALTERNATIVE MINIMUM TAXABLE INCOME.—Subparagraph (E) of section 56(b)(1) is amended by adding at the end
the following new sentence: “The preceding sentence shall not apply to so much of the standard deduction as is determined under section 63(c)(1)(D).”.

(c) Increase in Limitation on Individual Loss Per Casualty.—Paragraph (1) of section 165(h) is amended by striking “$100” and inserting “$500”.

(d) Effective Dates.—

(1) In General.—Except as provided by paragraph (2), the amendments made by this section shall apply to taxable years beginning after December 31, 2007.

(2) Increase in Limitation on Individual Loss Per Casualty.—The amendment made by subsection (c) shall apply to taxable years beginning after December 31, 2008.

SEC. 502. EXPENSING OF QUALIFIED DISASTER EXPENSES.

(a) In General.—Part VI of subchapter B of chapter 1 is amended by inserting after section 198 the following new section:

“SEC. 198A. EXPENSING OF QUALIFIED DISASTER EXPENSES.

“(a) In General.—A taxpayer may elect to treat any qualified disaster expenses which are paid or incurred by the taxpayer as an expense which is not chargeable to capital account. Any expense which is so treated shall be
allowed as a deduction for the taxable year in which it is paid or incurred.

“(b) QUALIFIED DISASTER EXPENSE.—For purposes of this section, the term ‘qualified disaster expense’ means any expenditure—

“(1) which is paid or incurred in connection with a trade or business or with business-related property,

“(2) which is—

“(A) for the abatement or control of hazardous substances that were released on account of a federally declared disaster,

“(B) for the removal of debris from, or the demolition of structures on, real property which is business-related property damaged or destroyed as a result of a federally declared disaster, or

“(C) for the repair of business-related property damaged as a result of a federally declared disaster, and

“(3) is otherwise chargeable to capital account.

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

“(1) BUSINESS-RELATED PROPERTY.—The term ‘business-related property’ means property—
“(A) held by the taxpayer for use in a trade or business or for the production of income, or

“(B) described in section 1221(a)(1) in the hands of the taxpayer.

“(2) Federally Declared Disaster.—The term ‘federally declared disaster’ has the meaning given such term by section 165(h)(3)(C)(i).

“(d) Deduction Recaptured as Ordinary Income on Sale, etc.—Solely for purposes of section 1245, in the case of property to which a qualified disaster expense would have been capitalized but for this section—

“(1) the deduction allowed by this section for such expense shall be treated as a deduction for depreciation, and

“(2) such property (if not otherwise section 1245 property) shall be treated as section 1245 property solely for purposes of applying section 1245 to such deduction.

“(e) Coordination With Other Provisions.—Sections 198, 280B, and 468 shall not apply to amounts which are treated as expenses under this section.

“(f) Regulations.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this section.”.
(b) CLERICAL AMENDMENT.—The table of sections for part VI of subchapter B of chapter 1 is amended by inserting after the item relating to section 198 the following new item:

"Sec. 198A. Expensing of Qualified Disaster Expenses."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts paid or incurred after December 31, 2007.

SEC. 503. NET OPERATING LOSSES ATTRIBUTABLE TO FEDERALLY DECLARED DISASTERS.

(a) IN GENERAL.—Paragraph (1) of section 172(b) is amended by adding at the end the following new subparagraph:

"(J) CERTAIN LOSSES ATTRIBUTABLE FEDERALLY DECLARED DISASTERS.—In the case of a taxpayer who has a qualified disaster loss (as defined in subsection (j)), such loss shall be a net operating loss carryback to each of the 5 taxable years preceding the taxable year of such loss."

(b) QUALIFIED DISASTER LOSS.—Section 172 is amended by redesignating subsections (j) and (k) as subsections (k) and (l), respectively, and by inserting after subsection (i) the following new subsection:

"(j) RULES RELATING TO QUALIFIED DISASTER LOSSES.—For purposes of this section—
“(1) IN GENERAL.—The term ‘qualified disaster loss’ means the lesser of—

“(A) the sum of—

“(i) the losses allowable under section 165 for the taxable year—

“(I) attributable to a federally declared disaster (as defined in section 165(h)(3)(C)(i)), and

“(II) occurring in a disaster area (as defined in section 165(h)(3)(C)(ii)), and

“(ii) the deduction for the taxable year for qualified disaster expenses which is allowable under section 198A(a) or which would be so allowable if not otherwise treated as an expense, or

“(B) the net operating loss for such taxable year.

“(2) COORDINATION WITH SUBSECTION (b)(2).—For purposes of applying subsection (b)(2), a qualified disaster loss for any taxable year shall be treated in a manner similar to the manner in which a specified liability loss is treated.

“(3) ELECTION.—Any taxpayer entitled to a 5-year carryback under subsection (b)(1)(J) from any
loss year may elect to have the carryback period with respect to such loss year determined without regard to subsection (b)(1)(J). Such election shall be made in such manner as may be prescribed by the Secretary and shall be made by the due date (including extensions of time) for filing the taxpayer’s return for the taxable year of the net operating loss. Such election, once made for any taxable year, shall be irrevocable for such taxable year.”.

(c) LOSS DEDUCTION ALLOWED IN COMPUTING ALTERNATIVE MINIMUM TAXABLE INCOME.—Subsection (d) of section 55 is amended by adding at the end the following new paragraph:

“(3) NET OPERATING LOSS ATTRIBUTABLE TO FEDERALLY DECLARED DISASTERS.—In the case of a taxpayer which has a qualified disaster loss (as defined by section 172(b)(1)(J)) for the taxable year, paragraph (1) shall be applied by increasing the amount determined under subparagraph (A)(ii)(I) thereof by the sum of the carrybacks and carryovers of such loss.”.

(d) CONFORMING AMENDMENTS.—

(1) Clause (ii) of section 172(b)(1)(F) is amended by inserting “or qualified disaster loss (as
defined in subsection (j))’’ before the period at the end of the last sentence.

(2) Paragraph (1) of section 172(i) is amended by adding at the end the following new flush sentence:

‘‘Such term shall not include any qualified disaster loss (as defined in subsection (j)).’’.

(e) Effective Date.—The amendments made by this section shall apply to losses arising in taxable years beginning after December 31, 2007.

SEC. 504. WAIVER OF CERTAIN MORTGAGE REVENUE BOND REQUIREMENTS FOLLOWING FEDERALLY DECLARED DISASTERS.

(a) In General.—Paragraph (11) of section 143(k) is amended to read as follows:

‘‘(11) Special rules for federally declared disasters.—

(A) Principal residence destroyed.—If the principal residence (within the meaning of section 121) of a taxpayer is—

‘‘(i) rendered unsafe for use as a residence by reason of a federally declared disaster, or

‘‘(ii) demolished or relocated by reason of an order of the government of a
State or political subdivision thereof on account of a federally declared disaster, then for the 2-year period beginning on the date of the disaster declaration, subsection (d)(1) shall not apply with respect to such taxpayer and subsection (e) shall be applied by substituting ‘110’ for ‘90’ in paragraph (1) thereof.

“(B) Principle residence damaged.—

“(i) In general.—If the principal residence (within the meaning of section 121) of a taxpayer resulting from a federally declared disaster was damaged, any owner-financing provided in connection with the repair or reconstruction of such residence shall be treated as a qualified rehabilitation loan.

“(ii) Limitation.—The aggregate owner-financing to which clause (i) applies shall not exceed the lesser of—

“(I) the cost of such repair or reconstruction, or

“(II) $150,000.

“(C) Federally declared disaster.— For purposes of this paragraph, the term ‘fed-
The term ‘federally declared disaster’ has the meaning given such term by section 165(h)(3)(C)(i).’”.

(b) Effective Date.—The amendment made by subsection (a) shall apply to disasters occurring after December 31, 2007.

SEC. 505. OTHER RELIEF FOR FEDERALLY DECLARED DISASTERS.

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

“Subchapter Z—Relief for Federally Declared Disasters

“Sec. 1400U. Tax benefits for federally declared disaster areas.

“SEC. 1400U. TAX BENEFITS FOR FEDERALLY DECLARED DISASTER AREAS.

“(a) Federally Declared Disaster.—For purposes of this section—

“(1) Federally Declared Disaster.—The term ‘federally declared disaster’ means any disaster subsequently determined by the President of the United States to warrant assistance by the Federal Government under the Robert T. Stafford Disaster Relief and Emergency Assistance Act.

“(2) Disaster Area.—The term ‘disaster area’ means the area so determined to warrant such assistance.
“(b) Special Rules for Use of Retirement Funds.—

“(1) Tax-favored withdrawals from retirement plans.—

“(A) In general.—Section 72(t) shall not apply to any qualified disaster distribution.

“(B) Aggregate dollar limitation.—

“(i) In general.—For purposes of this paragraph, the aggregate amount of distributions received by an individual which may be treated as qualified disaster distributions for any taxable year shall not exceed the excess (if any) of—

“(I) $100,000, over

“(II) the aggregate amounts treated as qualified disaster distributions received by such individual for all prior taxable years.

“(ii) Treatment of plan distributions.—If a distribution to an individual would (without regard to clause (i)) be a qualified disaster distribution, a plan shall not be treated as violating any requirement of this title merely because the plan treats such distribution as a qualified disaster
distribution, unless the aggregate amount of such distributions from all plans maintained by the employer (and any member of any controlled group which includes the employer) to such individual exceeds $100,000.

“(iii) CONTROLLED GROUP.—For purposes of clause (ii), the term ‘controlled group’ means any group treated as a single employer under subsection (b), (c), (m), or (o) of section 414.

“(C) AMOUNT DISTRIBUTED MAY BE REPAYED.—

“(i) IN GENERAL.—Any individual who receives a qualified disaster distribution may, at any time during the 3-year period beginning on the day after the date on which such distribution was received, make one or more contributions in an aggregate amount not to exceed the amount of such distribution to an eligible retirement plan of which such individual is a beneficiary and to which a rollover contribution of such distribution could be made under section 402(c), 403(a)(4),
403(b)(8), 408(d)(3), or 457(e)(16), as the case may be.

“(ii) Treatment of repayments of distributions from eligible retirement plans other than IRAs.—For purposes of this title, if a contribution is made pursuant to clause (i) with respect to a qualified disaster distribution from an eligible retirement plan other than an individual retirement plan, then the taxpayer shall, to the extent of the amount of the contribution, be treated as having received the qualified disaster distribution in an eligible rollover distribution (as defined in section 402(c)(4)) and as having transferred the amount to the eligible retirement plan in a direct trustee to trustee transfer within 60 days of the distribution.

“(iii) Treatment of repayments for distributions from IRAs.—For purposes of this title, if a contribution is made pursuant to clause (i) with respect to a qualified disaster distribution from an individual retirement plan (as defined by section 7701(a)(37)), then, to the extent of
the amount of the contribution, the qualified disaster distribution shall be treated as a distribution described in section 408(d)(3) and as having been transferred to the eligible retirement plan in a direct trustee to trustee transfer within 60 days of the distribution.

“(D) DEFINITIONS.—For purposes of this paragraph—

“(i) QUALIFIED DISASTER DISTRIBUTION.—Except as provided in subparagraph (B), the term ‘qualified disaster distribution’ means, with respect to any federally declared disaster, any distribution—

“(I) from an eligible retirement plan made during the 15-month period beginning on the date on which such disaster occurred, and

“(II) to an individual whose principal place of abode on the date on which such disaster occurred is located in the federally declared disaster area and who has sustained an economic loss attributable to the federally declared disaster,
“(ii) ELIGIBLE RETIREMENT PLAN.—
The term ‘eligible retirement plan’ shall have the meaning given such term by section 402(c)(8)(B).

“(E) INCOME INCLUSION SPREAD OVER 3-YEAR PERIOD.—

“(i) IN GENERAL.—In the case of any qualified disaster distribution, unless the taxpayer elects not to have this subparagraph apply for any taxable year, any amount required to be included in gross income for such taxable year shall be so included ratably over the 3-taxable year period beginning with such taxable year.

“(ii) SPECIAL RULE.—For purposes of clause (i), rules similar to the rules of subparagraph (E) of section 408A(d)(3) shall apply.

“(F) SPECIAL RULES.—

“(i) EXEMPTION OF DISTRIBUTIONS FROM TRUSTEE TO TRUSTEE TRANSFER AND WITHHOLDING RULES.—For purposes of sections 401(a)(31), 402(f), and 3405, qualified disaster distributions shall not be treated as eligible rollover distributions.
"(ii) QUALIFIED DISASTER DISTRIBUTIONS TREATED AS MEETING PLAN DISTRIBUTION REQUIREMENTS.—For purposes this title, a qualified disaster distribution shall be treated as meeting the requirements of sections 401(k)(2)(B)(i), 403(b)(7)(A)(ii), 403(b)(11), and 457(d)(1)(A).

"(2) RECONTRIBUTIONS OF WITHDRAWALS FOR HOME PURCHASES.—

"(A) RECONTRIBUTIONS.—

"(i) IN GENERAL.—Any individual who received a qualified distribution may, during the applicable period, make one or more contributions in an aggregate amount not to exceed the amount of such qualified distribution to an eligible retirement plan (as defined in section 402(c)(8)(B)) of which such individual is a beneficiary and to which a rollover contribution of such distribution could be made under section 402(c), 403(a)(4), 403(b)(8), or 408(d)(3), as the case may be.

"(ii) TREATMENT OF REPAYMENTS.—

Rules similar to the rules of clauses (ii)
and (iii) of paragraph (1)(C) shall apply
for purposes of this paragraph.

“(B) QUALIFIED DISTRIBUTION.—For purposes of this paragraph, the term ‘qualified distribution’ means, with respect to any federally declared disaster, any distribution—

“(i) described in section 401(k)(2)(B)(i)(IV), 403(b)(7)(A)(ii) (but only to the extent such distribution relates to financial hardship), 403(b)(11)(B), or 72(t)(2)(F),

“(ii) received during the 6-month period ending on the date on which the disaster occurred, and

“(iii) which was to be used to purchase or construct a principal residence in the disaster area, but which was not so purchased or constructed on account of the federally declared disaster.

“(C) APPLICABLE PERIOD.—For purposes of this paragraph, the term ‘applicable period’ means, with respect to any federally declared disaster, the 6-month period beginning on the date on which the disaster occurred.

“(3) LOANS FROM QUALIFIED PLANS.—
“(A) Increase in limit on loans not treated as distributions.—In the case of any loan from a qualified employer plan (as defined under section 72(p)(4)) to a qualified individual with respect to a federally declared disaster made during the 18-month period beginning on the date on which such disaster occurs—

“(i) clause (i) of section 72(p)(2)(A) shall be applied by substituting ‘$100,000’ for ‘$50,000’, and

“(ii) clause (ii) of such section shall be applied by substituting ‘the present value of the nonforfeitable accrued benefit of the employee under the plan’ for ‘one-half of the present value of the nonforfeitable accrued benefit of the employee under the plan’.

“(B) Delay of repayment.—In the case of a qualified individual with an outstanding loan on or after the date on which the federally declared disaster occurs from a qualified employer plan (as defined in section 72(p)(4))—

“(i) if the due date pursuant to subparagraph (B) or (C) of section 72(p)(2)
for any repayment with respect to such
loan occurs during the 18-month period be-
ginning on the date on which the federally
declared disaster occurs, such due date
shall be delayed for 1 year,

“(ii) any subsequent repayments with
respect to any such loan shall be appro-
priately adjusted to reflect the delay in the
due date under clause (i) and any interest
accruing during such delay, and

“(iii) in determining the 5-year period
and the term of a loan under subpara-
graph (B) or (C) of section 72(p)(2), the
period described in clause (i) shall be dis-
regarded.

“(C) QUALIFIED INDIVIDUAL.—For pur-
poses of this subsection, the term ‘qualified in-
dividual’ means, with respect to any federally
declared disaster, any individual whose principal
place of abode on the date on which the feder-
ally declared disaster occurs is located in the
disaster area and who has sustained an eco-
nomic loss by reason of such disaster.

“(4) PROVISIONS RELATING TO PLAN AMEND-
MENTS.—
“(A) IN GENERAL.—If this paragraph applies to any amendment to any plan or annuity contract, such plan or contract shall be treated as being operated in accordance with the terms of the plan during the period described in subparagraph (B)(ii)(I).

“(B) AMENDMENTS TO WHICH PARAGRAPH APPLIES.—

“(i) IN GENERAL.—In the case of any federally declared disaster, this paragraph shall apply to any amendment to any plan or annuity contract which is made—

“(I) pursuant to any provision of this subsection, or pursuant to any regulation issued by the Secretary or the Secretary of Labor under any provision of this subsection, and

“(II) on or before the last day of the first plan year beginning on or after the first day of the second calendar year following the calendar year in which the federally declared disaster occurs, or such later date as the Secretary may prescribe.
In the case of a governmental plan (as defined in section 414(d)), subclause (II) shall be applied by substituting the date which is 2 years after the date otherwise applied under subclause (II).

“(ii) CONDITIONS.—In the case of any federally declared disaster, this paragraph shall not apply to any amendment unless—

“(I) during the period beginning on the date that this subsection or the regulation described in clause (i)(I) takes effect with respect to such disaster (or in the case of a plan or contract amendment not required by this subsection or such regulation, the effective date specified by the plan with respect to such disaster) and ending on the date described in clause (i)(II) with respect to such disaster (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.

“(c) ADDITIONAL EXEMPTION FOR INDIVIDUALS DISPLACED BY FEDERALLY DECLARED DISASTERS.—

“(1) IN GENERAL.—In the case of taxable years of a natural person beginning in the taxable year in which a federally declared disaster occurs and the following taxable year, for purposes of this title, taxable income shall be reduced by $500 for each qualified displaced individual of the taxpayer for the taxable year.

“(2) LIMITATIONS.—

“(A) DOLLAR LIMITATION.—The reduction under paragraph (1) with respect to any federally declared disaster, shall not exceed $2,000, reduced by the amount of the reduction under this subsection with respect to such disaster for all prior taxable years.

“(B) INDIVIDUALS TAKEN INTO ACCOUNT ONLY ONCE.—An individual shall not be taken into account under paragraph (1) with respect to any federally declared disaster if such individual was taken into account under such para-
graph with respect to such disaster by the taxpayer for any prior taxable year.

“(C) IDENTIFYING INFORMATION REQUIRED.—An individual shall not be taken into account under paragraph (1) for a taxable year unless the taxpayer identification number of such individual is included on the return of the taxpayer for such taxable year.

“(3) QUALIFIED DISPLACED INDIVIDUAL.—For purposes of this section, in the case of any federally declared disaster, the term ‘qualified displaced individual’ means, with respect to any taxpayer for any taxable year, any natural person if—

“(A) such person’s principal place of abode on the date on which the disaster occurred was in the disaster area,

“(B)(i) in the case of such an abode located in the portion of a disaster area with respect to which the President has determined individual or individual and public assistance is warranted from the Federal government, such person is displaced from such abode, or

“(ii) in the case of such an abode located in any other portion of a disaster area, such person is displaced from such abode, and
“(I) such abode was damaged by the disaster, or

“(II) such person was evacuated from such abode by reason of the disaster, and

“(C) such person is provided housing free of charge by the taxpayer in the principal residence of the taxpayer for a period of 60 consecutive days which ends in such taxable year. Such term shall not include the spouse or any dependent of the taxpayer.

“(4) Compensation for housing.—No deduction shall be allowed under this subsection if the taxpayer receives any rent or other amount (from any source) in connection with the providing of such housing.

“(d) Employee Retention Credit for Employers Affected by Federally Declared Disaster.—

“(1) In general.—For purposes of section 38, in the case of an eligible employer, the employee disaster retention credit for any taxable year is an amount equal to 40 percent of the qualified wages with respect to each eligible employee of such employer for such taxable year. For purposes of the preceding sentence, the amount of qualified wages
which may be taken into account with respect to any
individual shall not exceed $6,000.

“(2) DEFINITIONS.—For purposes of this sub-
section—

“(A) ELIGIBLE EMPLOYER.—The term ‘eli-
gible employer’ means, with respect to any fed-
erally declared disaster, any employer—

“(i) which conducted an active trade
or business on the date such disaster oc-
curred in the disaster area, and

“(ii) with respect to whom the trade
or business described in clause (i) is inop-
erable on any day during the 4-month pe-
riod beginning on the date the disaster oc-
curred, as a result of damage sustained by
reason of the disaster.

“(B) ELIGIBLE EMPLOYEE.—In the case
of any federally declared disaster, the term ‘eli-
gible employee’ means, with respect to an eligi-
ble employer, an employee whose principal place
of employment on the date on which such dis-
aster occurred, with such eligible employer was
in the disaster area.

“(C) QUALIFIED WAGES.—The term
‘qualified wages’ means wages (as defined in
section 51(c)(1), but without regard to section 3306(b)(2)(B)) paid or incurred by an eligible employer with respect to an eligible employee on any day during any portion of the 4-month period described in subparagraph (A)(ii) during which the trade or business described in subparagraph (A) is inoperable at the principal place of employment by reason of the federally declared disaster. For purposes of this subparagraph, a trade or business shall be treated as inoperable if it is unable to conduct significant operations. Such term shall include wages paid without regard to whether the employee performs no services, performs services at a different place of employment than such principal place of employment, or performs services at such principal place of employment before significant operations have resumed.

“(3) CERTAIN RULES TO APPLY.—For purposes of this subsection, rules similar to the rules of sections 51(i)(1) and 52 shall apply.

“(4) EMPLOYEE NOT TAKEN INTO ACCOUNT MORE THAN ONCE.—An employee shall not be treated as an eligible employee for purposes of this subsection for any period with respect to any employer
if such employer is allowed a credit under section 51
with respect to such employee for such period.

“(e) Exclusions of Certain Cancellations of In-
debtedness by Reason of Federally Declared Dis-
asters.—

“(1) In general.—For purposes of this title,
gross income shall not include any amount which
(but for this subsection) would be includible in gross
income by reason of the discharge (in whole or in
part) of indebtedness of a natural person described
in paragraph (2) by an applicable entity (as defined
in section 6050P(c)(1) of such Code) during the 18-
month period beginning on the date on which the
disaster described in paragraph (2) occurs.

“(2) Persons described.—A natural person
is described in this paragraph with respect to any
federally declared disaster if the principal place of
abode of such person on the date on which the dis-
aster occurred was located—

“(A) in any portion of the disaster area
with respect to which the President has deter-
mined individual or individual and public assist-
ance is warranted from the Federal govern-
ment, or
“(B) in the disaster area (but outside the portion of the disaster area described in sub-
paragraph (A)) and such person suffered eco-
nomic loss by reason of the disaster.

“(3) EXCEPTIONS.—

“(A) BUSINESS INDEBTEDNESS.—Para-
graph (1) shall not apply to any indebtedness incurred in connection with a trade or business.

“(B) REAL PROPERTY OUTSIDE CORE DIS-
ASTER AREA.—Paragraph (1) shall not apply to any discharge of indebtedness to the extent that real property constituting security for such in-
debtedness is located outside of the disaster area.

“(4) DENIAL OF DOUBLE BENEFIT.—For pur-
poses of this title, the amount excluded from gross income under paragraph (1) shall be treated in the same manner as an amount excluded under section 108(a).

“(f) EXTENSION OF REPLACEMENT PERIOD FOR NONRECOGNITION OF GAIN FOR PROPERTY LOCATED IN FEDERALLY DECLARED DISASTER AREAS.—In the case of any federally declared disaster area, clause (i) of section 1033(a)(2)(B) shall be applied by substituting ‘5 years’ for ‘2 years’ with respect to property in the disaster area
which is compulsorily or involuntarily converted on or after the date on which such disaster occurred, by reason of the disaster, but only if substantially all of the use of the replacement property is in such area.

“(g) Temporary Suspension of Limitations on Charitable Contributions.—

“(1) In general.—Except as otherwise provided in paragraph (2), section 170(b) shall not apply to qualified contributions and such contributions shall not be taken into account for purposes of applying subsections (b) and (d) of section 170 to other contributions.

“(2) Treatment of excess contributions.—For purposes of section 170—

“(A) Individuals.—In the case of an individual—

“(i) Limitation.—Any qualified contribution shall be allowed only to the extent that the aggregate of such contributions does not exceed the excess of the taxpayer’s contribution base (as defined in subparagraph (G) of section 170(b)(1)) over the amount of all other charitable contributions allowed under section 170(b)(1).
“(ii) CARRYOVER.—If the aggregate amount of qualified contributions made in the contribution year (within the meaning of section 170(d)(1)) exceeds the limitation of clause (i), such excess shall be added to the excess described in the portion of subparagraph (A) of such section which precedes clause (i) thereof for purposes of applying such section.

“(B) CORPORATIONS.—In the case of a corporation—

“(i) LIMITATION.—Any qualified contribution shall be allowed only to the extent that the aggregate of such contributions does not exceed the excess of the taxpayer’s taxable income (as determined under paragraph (2) of section 170(b)) over the amount of all other charitable contributions allowed under such paragraph.

“(ii) CARRYOVER.—Rules similar to the rules of subparagraph (A)(ii) shall apply for purposes of this subparagraph.

“(3) EXCEPTION TO OVERALL LIMITATION ON ITEMIZED DEDUCTIONS.—So much of any deduction
allowed under section 170 as does not exceed the 
qualified contributions paid during the taxable year 
shall not be treated as an itemized deduction for 
purposes of section 68.

“(4) QUALIFIED CONTRIBUTIONS.—

“(A) IN GENERAL.—For purposes of this 
subsection, the term ‘qualified contribution’ 
means, with respect to an federally declared dis-
aster, any charitable contribution (as defined in 
section 170(c)) if—

“(i) such contribution—

“(I) is paid during the 18-month 
period beginning on the date on which 
the disaster occurs in cash to an orga-
nization described in section 
170(b)(1)(A), and

“(II) is made for relief efforts in 
the disaster area,

“(ii) the taxpayer obtains from such 
organization contemporaneous written ac-
knowledgment (within the meaning of sec-
section 170(f)(8)) that such contribution was 
used (or is to be used) for relief efforts in 
the disaster area, and
“(iii) the taxpayer has elected the application of this subsection with respect to such contribution.

“(B) EXCEPTION.—Such term shall not include a contribution by a donor if the contribution is—

“(i) to an organization described in section 509(a)(3), or

“(ii) for establishment of a new, or maintenance of an existing, donor advised fund (as defined in section 4966(d)(2)).

“(C) APPLICATION OF ELECTION TO PARTNERSHIPS AND S CORPORATIONS.—In the case of a partnership or S corporation, the election under subparagraph (A)(iii) shall be made separately by each partner or shareholder.

“(h) INCREASE IN STANDARD MILEAGE RATE FOR CHARITABLE USE OF VEHICLES.—In the case of a federally declared disaster, notwithstanding section 170(i), for purposes of computing the deduction under section 170 for use of a vehicle described in subsection (f)(12)(E)(i) of such section for provision of relief related to the disaster during the 18-month period beginning on the date on which such disaster occurred, the standard mileage rate shall be 70 percent of the standard mileage rate in effect
under section 162(a) at the time of such use. Any increase under this subsection shall be rounded to the next highest cent.

“(i) **Mileage Reimbursements to Charitable Volunteers Excluded From Gross Income.**—

“(1) **In general.**—For purposes of this title, in the case of a federally declared disaster, gross income of an individual for taxable years ending on or after the date on which the disaster occurs, does not include amounts received, from an organization described in section 170(c), as reimbursement of operating expenses with respect to use of a passenger automobile for the benefit of such organization in connection with providing relief relating to the disaster during the 18-month period beginning on the date on which such disaster occurred. The preceding sentence shall apply only to the extent that the expenses which are reimbursed would be deductible under this chapter if section 274(d) were applied—

“(A) by using the standard business mileage rate in effect under section 162(a) at the time of such use, and

“(B) as if the individual were an employee of an organization not described in section 170(c).
“(2) Application to Volunteer Services Only.—Paragraph (1) shall not apply with respect to any expenses relating to the performance of services for compensation.

“(3) No Double Benefit.—No deduction or credit shall be allowed under any other provision of this title with respect to the expenses excludable from gross income under paragraph (1).”.

(b) Conforming Amendment.—Section 38(b) is amended by striking “plus” at the end of paragraph (32), by striking the period at the end of paragraph (33) and inserting “, plus”, and by adding at the end the following new paragraph:

“(34) the employee disaster retention credit under section 1400U(d).”.

(e) Clerical Amendment.—The table of subchapters for chapter 1 is amended by adding at the end the following new item:

“SUBCHAPTER Z—RELIEF FOR FEDERALLY DECLARED DISASTERS”.

(d) Effective Date.—The amendments made by this section shall apply to disasters occurring after December 31, 2007.

SEC. 506. SUNSET.

The amendments made by this subtitle shall not apply to federally declared disasters (as defined in section 165(h)(3)(C)(i) of the Internal Revenue Code of 1986, as
added by this subtitle) (casualties, in the case of the amendment made by section 511(e)) occurring after December 31, 2009. The Internal Revenue Code of 1986 shall be applied and administered with respect to disasters and casualties described in the preceding sentence as if the amendments so described had never been enacted.

Subtitle B—Other Disaster Relief Provisions

SEC. 511. RESTRUCTURING OF NEW YORK LIBERTY ZONE TAX CREDITS.

(a) IN GENERAL.—Part I of subchapter Y of chapter 1 is amended by redesignating section 1400L as section 1400K and by adding at the end the following new section:

“SEC. 1400L. NEW YORK LIBERTY ZONE TAX CREDITS.

“(a) IN GENERAL.—In the case of a New York Liberty Zone governmental unit, there shall be allowed as a credit against any taxes imposed for any payroll period by section 3402 for which such governmental unit is liable under section 3403 an amount equal to so much of the portion of the qualifying project expenditure amount allocated under subsection (b)(3) to such governmental unit for the calendar year as is allocated by such governmental unit to such period under subsection (b)(4).

“(b) QUALIFYING PROJECT EXPENDITURE AMOUNT.—For purposes of this section—
“(1) IN GENERAL.—The term ‘qualifying project expenditure amount’ means, with respect to any calendar year, the sum of—

“(A) the total expenditures paid or incurred during such calendar year by all New York Liberty Zone governmental units and the Port Authority of New York and New Jersey for any portion of qualifying projects located wholly within the City of New York, New York, and

“(B) any such expenditures—

“(i) paid or incurred in any preceding calendar year which begins after the date of enactment of this section, and

“(ii) not previously allocated under paragraph (3).

“(2) QUALIFYING PROJECT.—The term ‘qualifying project’ means any transportation infrastructure project, including highways, mass transit systems, railroads, airports, ports, and waterways, in or connecting with the New York Liberty Zone (as defined in section 1400K(h)), which is designated as a qualifying project under this section jointly by the Governor of the State of New York and the Mayor of the City of New York, New York.
“(3) GENERAL ALLOCATION.—

“(A) IN GENERAL.—The Governor of the State of New York and the Mayor of the City of New York, New York, shall jointly allocate to each New York Liberty Zone governmental unit the portion of the qualifying project expenditure amount which may be taken into account by such governmental unit under subsection (a) for any calendar year in the credit period.

“(B) AGGREGATE LIMIT.—The aggregate amount which may be allocated under subparagraph (A) for all calendar years in the credit period shall not exceed $2,000,000,000.

“(C) ANNUAL LIMIT.—The aggregate amount which may be allocated under subparagraph (A) for any calendar year in the credit period shall not exceed the sum of—

“(i) $115,000,000 ($425,000,000 in the case of the last 2 years in the credit period), plus

“(ii) the aggregate amount authorized to be allocated under this paragraph for all preceding calendar years in the credit period which was not so allocated.
“(D) UNALLOCATED AMOUNTS AT END OF CREDIT PERIOD.—If, as of the close of the credit period, the amount under subparagraph (B) exceeds the aggregate amount allocated under subparagraph (A) for all calendar years in the credit period, the Governor of the State of New York and the Mayor of the City of New York, New York, may jointly allocate to New York Liberty Zone governmental units for any calendar year in the 5-year period following the credit period an amount equal to—

“(i) the lesser of—

“(I) such excess, or

“(II) the qualifying project expenditure amount for such calendar year, reduced by

“(ii) the aggregate amount allocated under this subparagraph for all preceding calendar years.

“(4) ALLOCATION TO PAYROLL PERIODS.— Each New York Liberty Zone governmental unit which has been allocated a portion of the qualifying project expenditure amount under paragraph (3) for a calendar year may allocate such portion to payroll
periods beginning in such calendar year as such govern-mental unit determines appropriate.

“(c) CARRYOVER OF UNUSED ALLOCATIONS.—

“(1) IN GENERAL.—Except as provided in para-

graph (2), if the amount allocated under subsection
(b)(3) to a New York Liberty Zone governmental
unit for any calendar year exceeds the aggregate
taxes imposed by section 3402 for which such gov-
ernmental unit is liable under section 3403 for peri-
ods beginning in such year, such excess shall be car-
ried to the succeeding calendar year and added to
the allocation of such governmental unit for such
succeeding calendar year.

“(2) REALLOCATION.—If a New York Liberty
Zone governmental unit does not use an amount al-
located to it under subsection (b)(3) within the time
prescribed by the Governor of the State of New York
and the Mayor of the City of New York, New York,
then such amount shall after such time be treated
for purposes of subsection (b)(3) in the same man-
ner as if it had never been allocated.

“(d) DEFINITIONS AND SPECIAL RULES.—For pur-
poses of this section—
“(1) CREDIT PERIOD.—The term ‘credit period’ means the 12-year period beginning on January 1, 2009.

“(2) NEW YORK LIBERTY ZONE GOVERNMENTAL UNIT.—The term ‘New York Liberty Zone governmental unit’ means—

“(A) the State of New York,

“(B) the City of New York, New York, and

“(C) any agency or instrumentality of such State or City.

“(3) TREATMENT OF FUNDS.—Any expenditure for a qualifying project taken into account for purposes of the credit under this section shall be considered State and local funds for the purpose of any Federal program.

“(4) TREATMENT OF CREDIT AMOUNTS FOR PURPOSES OF WITHHOLDING TAXES.—For purposes of this title, a New York Liberty Zone governmental unit shall be treated as having paid to the Secretary, on the day on which wages are paid to employees, an amount equal to the amount of the credit allowed to such entity under subsection (a) with respect to such wages, but only if such governmental unit deducts and withholds wages for such payroll period under section 3401 (relating to wage withholding).
“(e) REPORTING.—The Governor of the State of New York and the Mayor of the City of New York, New York, shall jointly submit to the Secretary an annual report—

“(1) which certifies—

“(A) the qualifying project expenditure amount for the calendar year, and

“(B) the amount allocated to each New York Liberty Zone governmental unit under subsection (b)(3) for the calendar year, and

“(2) includes such other information as the Secretary may require to carry out this section.

“(f) GUIDANCE.—The Secretary may prescribe such guidance as may be necessary or appropriate to ensure compliance with the purposes of this section.”.

(b) TERMINATION OF SPECIAL ALLOWANCE AND EXPENSING.—Subparagraph (A) of section 1400K(b)(2), as redesignated by subsection (a), is amended by striking the parenthetical therein and inserting “(in the case of non-residential real property and residential rental property, the date of the enactment of the Jobs, Energy, Families, and Disaster Relief Act of 2008 or, if acquired pursuant to a binding contract in effect on such enactment date, December 31, 2009)”.

(c) CONFORMING AMENDMENTS.—
(1) Section 38(c)(3)(B) is amended by striking “section 1400L(a)” and inserting “section 1400K(a)”.

(2) Section 168(k)(2)(D)(ii) is amended by striking “section 1400L(c)(2)” and inserting “section 1400K(c)(2)”.

(3) The table of sections for part I of subchapter Y of chapter 1 is amended by redesignating the item relating to section 1400L as an item relating to section 1400K and by inserting after such item the following new item:

“Sec. 1400L. New York Liberty Zone tax credits.”.

(d) Effective Date.—The amendments made by this section shall take effect on the date of the enactment of this Act.

SEC. 512. REPORTING REQUIREMENTS RELATING TO DISASTER RELIEF CONTRIBUTIONS.

(a) In General.—Section 6033(b) is amended by striking “and” at the end of paragraph (13), by redesignating paragraph (14) as paragraph (15), and by adding after paragraph (13) the following new paragraph:

“(14) such information as the Secretary may require with respect to disaster relief activities, including the amount and use of qualified contributions to which sections 1400S(a) and 1400U(g) apply, and”.

"
(b) Effective Date.—The amendments made by this section shall apply to returns the due date for which (determined without regard to any extension) occurs after December 31, 2008.

TITLE VI—REVENUE PROVISIONS

SEC. 601. NONQUALIFIED DEFERRED COMPENSATION FROM CERTAIN TAX INDIFFERENT PARTIES.

(a) In General.—Subpart B of part II of subchapter E of chapter 1 is amended by inserting after section 457 the following new section:

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"SEC. 457A. NONQUALIFIED DEFERRED COMPENSATION FROM CERTAIN TAX INDIFFERENT PARTIES.

"(a) In General.—Any compensation which is deferred under a nonqualified deferred compensation plan of a nonqualified entity shall be includible in gross income when there is no substantial risk of forfeiture of the rights to such compensation.

"(b) Nonqualified Entity.—For purposes of this section, the term ‘nonqualified entity’ means—

"(1) any foreign corporation unless substantially all of its income is—

"(A) effectively connected with the conduct of a trade or business in the United States, or
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“(B) subject to a comprehensive foreign income tax, and

“(2) any partnership unless substantially all of its income is allocated to persons other than—

“(A) foreign persons with respect to whom such income is not subject to a comprehensive foreign income tax, and

“(B) organizations which are exempt from tax under this title.

“(c) DETERMINABILITY OF AMOUNTS OF COMPENSATION.—

“(1) IN GENERAL.—If the amount of any compensation is not determinable at the time that such compensation is otherwise includible in gross income under subsection (a)—

“(A) such amount shall be so includible in gross income when determinable, and

“(B) the tax imposed under this chapter for the taxable year in which such compensation is includible in gross income shall be increased by the sum of—

“(i) the amount of interest determined under paragraph (2), and

“(ii) an amount equal to 20 percent of the amount of such compensation.
“(2) Interest.—For purposes of paragraph (1)(B)(i), the interest determined under this paragraph for any taxable year is the amount of interest at the underpayment rate under section 6621 plus 1 percentage point on the underpayments that would have occurred had the deferred compensation been includible in gross income for the taxable year in which first deferred or, if later, the first taxable year in which such deferred compensation is not subject to a substantial risk of forfeiture.

“(d) Other Definitions and Special Rules.—

For purposes of this section—

“(1) Substantial risk of forfeiture.—

“(A) In general.—The rights of a person to compensation shall be treated as subject to a substantial risk of forfeiture only if such person’s rights to such compensation are conditioned upon the future performance of substantial services by any individual.

“(B) Exception for compensation based on gain recognized on an investment asset.—

“(i) In general.—To the extent provided in regulations prescribed by the Secretary, if compensation is determined solely
by reference to the amount of gain recognized on the disposition of an investment asset, such compensation shall be treated as subject to a substantial risk of forfeiture until the date of such disposition.

“(ii) INVESTMENT ASSET.—For purposes of clause (i), the term ‘investment asset’ means any single asset (other than an investment fund or similar entity)—

“(I) acquired directly by an investment fund or similar entity,

“(II) with respect to which such entity does not (nor does any person related to such entity) participate in the active management of such asset (or if such asset is an interest in an entity, in the active management of the activities of such entity), and

“(III) substantially all of any gain on the disposition of which (other than such deferred compensation) is allocated to investors in such entity.

“(iii) COORDINATION WITH SPECIAL RULE.—Paragraph (3)(B) shall not apply
to any compensation to which clause (i) applies.

“(2) COMPREHENSIVE FOREIGN INCOME TAX.—

The term ‘comprehensive foreign income tax’ means, with respect to any foreign person, the income tax of a foreign country if—

“(A) such person is eligible for the benefits of a comprehensive income tax treaty between such foreign country and the United States, or

“(B) such person demonstrates to the satisfaction of the Secretary that such foreign country has a comprehensive income tax.

“(3) NONQUALIFIED DEFERRED COMPENSATION PLAN.—

“(A) IN GENERAL.—The term ‘non-qualified deferred compensation plan’ has the meaning given such term under section 409A(d), except that such term shall include any plan that provides a right to compensation based on the appreciation in value of a specified number of equity units of the service recipient.

“(B) EXCEPTION.—Compensation shall not be treated as deferred for purposes of this section if the service provider receives payment of such compensation not later than 12 months
after the end of the taxable year of the service recipient during which the right to the payment of such compensation is no longer subject to a substantial risk of forfeiture.

“(4) Exception for certain compensation with respect to effectively connected income.—In the case a foreign corporation with income which is taxable under section 882, this section shall not apply to compensation which, had such compensation had been paid in cash on the date that such compensation ceased to be subject to a substantial risk of forfeiture, would have been deductible by such foreign corporation against such income.

“(5) Application of rules.—Rules similar to the rules of paragraphs (5) and (6) of section 409A(d) shall apply.

“(e) Regulations.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this section, including regulations disregarding a substantial risk of forfeiture in cases where necessary to carry out the purposes of this section.

“(f) Termination.—This section shall not apply to amounts deferred which are attributable to services performed after December 31, 2018.”.
(b) **Conforming Amendment.**—Section 26(b)(2), as amended by the Housing Assistance Tax Act of 2008, is amended by striking “and” at the end of subparagraph (V), by striking the period at the end of subparagraph (W) and inserting “, and”, and by adding at the end the following new subparagraph:

“(X) section 457A(e)(1)(B) (relating to determinability of amounts of compensation).”.

(c) **Clerical Amendment.**—The table of sections of subpart B of part II of subchapter E of chapter 1 is amended by inserting after the item relating to section 457 the following new item:

“Sec. 457A. Nonqualified deferred compensation from certain tax indifferent parties.”.

(d) **Effective Date.**—

(1) In general.—Except as otherwise provided in this subsection, the amendments made by this section shall apply to amounts deferred which are attributable to services performed after December 31, 2008.

(2) Application to existing deferrals.—In the case of any amount deferred to which the amendments made by this section do not apply solely by reason of the fact that the amount is attributable to services performed before January 1, 2009, to the extent such amount is not includible in gross income
in a taxable year beginning before 2018, such
amounts shall be includible in gross income in the
later of—

(A) the last taxable year beginning before
2018, or

(B) the taxable year in which there is no
substantial risk of forfeiture of the rights to
such compensation (determined in the same
manner as determined for purposes of section
457A of the Internal Revenue Code of 1986, as
added by this section).

(3) Charitable Contributions of Existing
Deferrals Permitted.—

(A) in General.—Subsection (b) of sec-
tion 170 of the Internal Revenue Code of 1986
shall not apply to (and subsections (b) and (d)
of such section shall be applied without regard
to) so much of the taxpayer’s qualified con-
tributions made during the taxpayer’s last tax-
able year beginning before 2018 as does not ex-
cceed the taxpayer’s qualified inclusion amount.
For purposes of subsection (b) of section 170 of
such Code, the taxpayer’s contribution base for
such last taxable year shall be reduced by the
amount of the taxpayer’s qualified contributions
to which such subsection does not apply by reason the preceding sentence.

(B) QUALIFIED CONTRIBUTIONS.—For purposes of this paragraph, the term “qualified contributions” means the aggregate charitable contributions (as defined in section 170(c) of such Code) paid in cash by the taxpayer to organizations described in section 170(b)(1)(A) of such Code (other than any organization described in section 509(a)(3) of such Code or any fund or account described in section 4966(d)(2) of such Code).

(C) QUALIFIED INCLUSION AMOUNT.—For purposes of this paragraph, the term “qualified inclusion amount” means the amount includible in the taxpayer’s gross income for the last taxable year beginning before 2018 by reason of paragraph (2).

(4) ACCELERATED PAYMENTS.—No later than 120 days after the date of the enactment of this Act, the Secretary shall issue guidance providing a limited period of time during which a nonqualified deferred compensation arrangement attributable to services performed on or before December 31, 2008, may, without violating the requirements of section
409A(a) of the Internal Revenue Code of 1986, be
amended to conform the date of distribution to the
date the amounts are required to be included in in-
come.

(5) CERTAIN BACK-TO-BACK ARRANGEMENTS.—
If the taxpayer is also a service recipient and main-
tains one or more nonqualified deferred compensa-
tion arrangements for its service providers under
which any amount is attributable to services per-
formed on or before December 31, 2008, the guid-
ance issued under paragraph (4) shall permit such
arrangements to be amended to conform the dates of
distribution under such arrangement to the date
amounts are required to be included in the income
of such taxpayer under this subsection.

(6) ACCELERATED PAYMENT NOT TREATED AS
MATERIAL MODIFICATION.—Any amendment to a
nonqualified deferred compensation arrangement
made pursuant to paragraph (4) or (5) shall not be
treated as a material modification of the arrange-
ment for purposes of section 409A of the Internal
SEC. 602. DELAY IN APPLICATION OF WORLDWIDE ALLOCATION OF INTEREST.

(a) In General.—Paragraph (6) of section 864(f), as amended by the Housing Assistance Tax Act of 2008, is amended by striking “December 31, 2010” and inserting “December 31, 2018”.

(b) Conforming Amendment.—Paragraph (5)(D) of section 864(f) is amended by striking “December 31, 2008” and inserting “December 31, 2018”.

(c) Effective Date.—The amendments made by this section shall apply to taxable years beginning after December 31, 2008.

SEC. 603. BROKER REPORTING OF CUSTOMER’S BASIS IN SECURITIES TRANSACTIONS.

(a) In General.—

(1) Broker Reporting for Securities Transactions.—Section 6045 is amended by adding at the end the following new subsection:

“(g) Additional Information Required in the Case of Securities Transactions, etc.—

“(1) In General.—If a broker is otherwise required to make a return under subsection (a) with respect to the gross proceeds of the sale of a covered security, the broker shall include in such return the information described in paragraph (2).

“(2) Additional Information Required.—
“(A) IN GENERAL.—The information re-
quired under paragraph (1) to be shown on a
return with respect to a covered security of a
customer shall include the customer’s adjusted
basis in such security and whether any gain or
loss with respect to such security is long-term
or short-term (within the meaning of section
1222).

“(B) DETERMINATION OF ADJUSTED
BASES.—For purposes of subparagraph (A)—

“(i) IN GENERAL.—The customer’s
adjusted basis shall be determined—

“(I) in the case of any security
(other than any stock for which an av-
average basis method is permissible
under section 1012), in accordance
with the first-in first-out method un-
less the customer notifies the broker
by means of making an adequate
identification of the stock sold or
transferred, and

“(II) in the case of any stock for
which an average basis method is per-
missible under section 1012, in ac-
cordance with the broker’s default
method unless the customer notifies
the broker that he elects another ac-
ceptable method under section 1012
with respect to the account in which
such stock is held.

“(ii) Exception for wash sales.—
Except as otherwise provided by the Sec-
retary, the customer’s adjusted basis shall
be determined without regard to section
1091 (relating to loss from wash sales of
stock or securities) unless the transactions
occur in the same account with respect to
identical securities.

“(3) Covered security.—For purposes of
this subsection—

“(A) In general.—The term ‘covered se-
curity’ means any specified security acquired on
or after the applicable date if such security—

“(i) was acquired through a trans-
action in the account in which such secu-

“(ii) was transferred to such account
from an account in which such security
was a covered security, but only if the
broker received a statement under section 6045A with respect to the transfer.

“(B) SPECIFIED SECURITY.—The term ‘specified security’ means—

“(i) any share of stock in a corporation,

“(ii) any note, bond, debenture, or other evidence of indebtedness,

“(iii) any commodity, or contract or derivative with respect to such commodity, if the Secretary determines that adjusted basis reporting is appropriate for purposes of this subsection, and

“(iv) any other financial instrument with respect to which the Secretary determines that adjusted basis reporting is appropriate for purposes of this subsection.

“(C) APPLICABLE DATE.—The term ‘applicable date’ means—

“(i) January 1, 2010, in the case of any specified security which is stock in a corporation (other than any stock described in clause (ii)),


“(ii) January 1, 2011, in the case of any stock for which an average basis method is permissible under section 1012, and
“(iii) January 1, 2012, or such later date determined by the Secretary in the case of any other specified security.

“(4) Treatment of S Corporations.—In the case of the sale of a covered security acquired by an S corporation (other than a financial institution) after December 31, 2011, such S corporation shall be treated in the same manner as a partnership for purposes of this section.

“(5) Special Rules for Short Sales.—In the case of a short sale, reporting under this section shall be made for the year in which such sale is closed.”.

(2) Broker Information Required with Respect to Options.—Section 6045, as amended by subsection (a), is amended by adding at the end the following new subsection:

“(h) Application to Options on Securities.—
“(1) Exercise of Option.—For purposes of this section, if a covered security is acquired or disposed of pursuant to the exercise of an option that was granted or acquired in the same account as the
covered security, the amount received with respect to the grant or paid with respect to the acquisition of such option shall be treated as an adjustment to gross proceeds or as an adjustment to basis, as the case may be.

“(2) LAPSE OR CLOSING TRANSACTION.—In the case of the lapse (or closing transaction (as defined in section 1234(b)(2)(A))) of an option on a specified security or the exercise of a cash-settled option on a specified security, reporting under subsections (a) and (g) with respect to such option shall be made for the calendar year which includes the date of such lapse, closing transaction, or exercise.

“(3) PROSPECTIVE APPLICATION.—Paragraphs (1) and (2) shall not apply to any option which is granted or acquired before January 1, 2012.

“(4) DEFINITIONS.—For purposes of this subsection, the terms ‘covered security’ and ‘specified security’ shall have the meanings given such terms in subsection (g)(3).”.

(3) EXTENSION OF PERIOD FOR STATEMENTS SENT TO CUSTOMERS.—

(A) IN GENERAL.—Subsection (b) of section 6045 is amended by striking “January 31” and inserting “February 15”.

(B) **STATEMENTS RELATED TO SUBSTITUTE PAYMENTS.**—Subsection (d) of section 6045 is amended—

(i) by striking “at such time and”,

and

(ii) by inserting after “other item.” the following new sentence: “The written statement required under the preceding sentence shall be furnished on or before February 15 of the year following the calendar year in which the payment was made.”.

(C) **OTHER STATEMENTS.**—Subsection (b) of section 6045 is amended by adding at the end the following: “In the case of a consolidated reporting statement (as defined in regulations) with respect to any account, any statement which would otherwise be required to be furnished on or before January 31 of a calendar year with respect to any item reportable to the taxpayer shall instead be required to be furnished on or before February 15 of such calendar year if furnished with such consolidated reporting statement.”.
(b) Determination of Basis of Certain Securities on Account by Account or Average Basis Method.—Section 1012 is amended—

(1) by striking “The basis of property” and inserting the following:

“(a) In General.—The basis of property”,

(2) by striking “The cost of real property” and inserting the following:

“(b) Special Rule for Apportioned Real Estate Taxes.—The cost of real property”, and

(3) by adding at the end the following new subsections:

“(c) Determinations by Account.—

“(1) In General.—In the case of the sale, exchange, or other disposition of a specified security on or after the applicable date, the conventions prescribed by regulations under this section shall be applied on an account by account basis.

“(2) Application to Open-End Funds.—

“(A) In General.—Except as provided in subparagraph (B), any stock in an open-end fund acquired before January 1, 2011, shall be treated as a separate account from any such stock acquired on or after such date.
“(B) Election by open-end fund for treatment as single account.—If an open-end fund elects to have this subparagraph apply with respect to one or more of its stockholders—

“(i) subparagraph (A) shall not apply with respect to any stock in such fund held by such stockholders, and

“(ii) all stock in such fund which is held by such stockholders shall be treated as covered securities described in section 6045(g)(3) without regard to the date of the acquisition of such stock.

A rule similar to the rule of the preceding sentence shall apply with respect to a broker holding stock in an open-end fund as a nominee.

“(3) Definitions.—For purposes of this section—

“(A) Open-end fund.—The term ‘open-end fund’ means a regulated investment company (as defined in section 851) which is offering for sale or has outstanding any redeemable security of which it is the issuer. Any stock which is traded on an established securities ex-
change shall not be treated as stock in an open-end fund.

“(B) SPECIFIED SECURITY; APPLICABLE DATE.—The terms ‘specified security’ and ‘applicable date’ shall have the meaning given such terms in section 6045(g).

“(d) AVERAGE BASIS FOR STOCK ACQUIRED PURSUANT TO A DIVIDEND REINVESTMENT PLAN.—

“(1) IN GENERAL.—In the case of any stock acquired after December 31, 2010, in connection with a dividend reinvestment plan, the basis of such stock while held as part of such plan shall be determined using one of the methods which may be used for determining the basis of stock in an open-end fund.

“(2) TREATMENT AFTER TRANSFER.—In the case of the transfer to another account of stock to which paragraph (1) applies, such stock shall have a cost basis in such other account equal to its basis in the dividend reinvestment plan immediately before such transfer (properly adjusted for any fees or other charges taken into account in connection with such transfer).

“(3) SEPARATE ACCOUNTS; ELECTION FOR TREATMENT AS SINGLE ACCOUNT.—Rules similar to
the rules of subsection (c)(2) shall apply for purposes of this subsection.

“(4) DIVIDEND REINVESTMENT PLAN.—For purposes of this subsection—

“(A) IN GENERAL.—The term ‘dividend reinvestment plan’ means any arrangement under which dividends on any stock are reinvested in stock identical to the stock with respect to which the dividends are paid.

“(B) INITIAL STOCK ACQUISITION TREATED AS ACQUIRED IN CONNECTION WITH PLAN.—Stock shall be treated as acquired in connection with a dividend reinvestment plan if such stock is acquired pursuant to such plan or if the dividends paid on such stock are subject to such plan.”.

(c) INFORMATION BY TRANSFERORS TO AID BROKERS.—

(1) IN GENERAL.—Subpart B of part III of subchapter A of chapter 61 is amended by inserting after section 6045 the following new section:
"SEC. 6045A. INFORMATION REQUIRED IN CONNECTION WITH TRANSFERS OF COVERED SECURITIES TO BROKERS.

“(a) Furnishing of Information.—Every applicable person which transfers to a broker (as defined in section 6045(c)(1)) a security which is a covered security (as defined in section 6045(g)(3)) in the hands of such applicable person shall furnish to such broker a written statement in such manner and setting forth such information as the Secretary may by regulations prescribe for purposes of enabling such broker to meet the requirements of section 6045(g).

“(b) Applicable Person.—For purposes of subsection (a), the term ‘applicable person’ means—

“(1) any broker (as defined in section 6045(e)(1)), and

“(2) any other person as provided by the Secretary in regulations.

“(c) Time for Furnishing Statement.—Except as otherwise provided by the Secretary, any statement required by subsection (a) shall be furnished not later than 15 days after the date of the transfer described in such subsection.”.

(2) Assessable Penalties.—Paragraph (2) of section 6724(d), as amended by the Housing Assistance Tax Act of 2008, is amended by redesig-
nating subparagraphs (I) through (DD) as subparagraphs (J) through (EE), respectively, and by inserting after subparagraph (H) the following new subparagraph:

“(I) section 6045A (relating to information required in connection with transfers of covered securities to brokers),”.

(3) Clerical Amendment.—The table of sections for subpart B of part III of subchapter A of chapter 61 is amended by inserting after the item relating to section 6045 the following new item:

“Sec. 6045A. Information required in connection with transfers of covered securities to brokers.”.

(d) Additional Issuer Information To Aid Brokers.—

(1) In General.—Subpart B of part III of subchapter A of chapter 61, as amended by subsection (b), is amended by inserting after section 6045A the following new section:

“Sec. 6045B. Returns Relating to Actions Affecting Basis of Specified Securities.

“(a) In General.—According to the forms or regulations prescribed by the Secretary, any issuer of a specified security shall make a return setting forth—
“(1) a description of any organizational action which affects the basis of such specified security of such issuer,

“(2) the quantitative effect on the basis of such specified security resulting from such action, and

“(3) such other information as the Secretary may prescribe.

“(b) Time for Filing Return.—Any return required by subsection (a) shall be filed not later than the earlier of—

“(1) 45 days after the date of the action described in subsection (a), or

“(2) January 15 of the year following the calendar year during which such action occurred.

“(c) Statements To Be Furnished To Holders of Specified Securities or Their Nominees.—According to the forms or regulations prescribed by the Secretary, every person required to make a return under subsection (a) with respect to a specified security shall furnish to the nominee with respect to the specified security (or certificate holder if there is no nominee) a written statement showing—

“(1) the name, address, and phone number of the information contact of the person required to make such return,
“(2) the information required to be shown on such return with respect to such security, and
“(3) such other information as the Secretary may prescribe.

The written statement required under the preceding sentence shall be furnished to the holder on or before January 15 of the year following the calendar year during which the action described in subsection (a) occurred.

“(d) SPECIFIED SECURITY.—For purposes of this section, the term ‘specified security’ has the meaning given such term by section 6045(g)(3)(B). No return shall be required under this section with respect to actions described in subsection (a) with respect to a specified security which occur before the applicable date (as defined in section 6045(g)(3)(C)) with respect to such security.

“(e) PUBLIC REPORTING IN LIEU OF RETURN.—The Secretary may waive the requirements under subsections (a) and (e) with respect to a specified security, if the person required to make the return under subsection (a) makes publicly available, in such form and manner as the Secretary determines necessary to carry out the purposes of this section—
“(1) the name, address, phone number, and email address of the information contact of such person, and
“(2) the information described in paragraphs
(1), (2), and (3) of subsection (a).”.

(2) ASSESSABLE PENALTIES.—

(A) Subparagraph (B) of section
6724(d)(1), as amended by the Housing Assist-
ance Tax Act of 2008, is amended by redesig-
nating clause (iv) and each of the clauses which
follow as clauses (v) through (xxiii), respec-
tively, and by inserting after clause (iii) the fol-
lowing new clause:

“(iv) section 6045B(a) (relating to re-
turns relating to actions affecting basis of
specified securities),”.

(B) Paragraph (2) of section 6724(d), as
amended by the Housing Assistance Tax Act of
2008 and by subsection (e)(2), is amended by
redesignating subparagraphs (J) through (EE)
as subparagraphs (K) through (FF), respec-
tively, and by inserting after subparagraph (I)
the following new subparagraph:

“(J) subsections (c) and (e) of section
6045B (relating to returns relating to actions
affecting basis of specified securities),”.

(3) CLERICAL AMENDMENT.—The table of sec-
tions for subpart B of part III of subchapter A of
chapter 61, as amended by subsection (b)(3), is amended by inserting after the item relating to section 6045A the following new item:

"Sec. 6045B. Returns relating to actions affecting basis of specified securities."

(e) Effective Date.—

(1) In general.—Except as otherwise provided in this subsection, the amendments made by this section shall take effect on January 1, 2010.

(2) Extension of period for statements sent to customers.—The amendments made by subsection (a)(3) shall apply to statements required to be furnished after December 31, 2008.

SEC. 604. TIME FOR PAYMENT OF CORPORATE ESTIMATED TAXES.

The percentage under subparagraph (C) of section 401(1) of the Tax Increase Prevention and Reconciliation Act of 2005 in effect on the date of the enactment of this Act is increased by 47.5 percentage points.