SECTION 1. SHORT TITLE; AMENDMENT OF 1986 CODE;

TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the “Hiring Incentives to Restore Employment Act”.

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

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

Sec. 1. Short title; amendment of 1986 Code; table of contents.

TITLE I—INCENTIVES FOR HIRING AND RETAINING UNEMPLOYED WORKERS

Sec. 101. Payroll tax forgiveness for hiring unemployed workers.
Sec. 102. Business credit for retention of certain newly hired individuals in 2010.

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Sec. 201. Increase in expensing of certain depreciable business assets.

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Sec. 932. Report on market based alternatives to statutory licensing.
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Subtitle D—Severability

Sec. 941. Severability.

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Sec. 1001. Determination of budgetary effects.

1 TITLE I—INCENTIVES FOR HIRING AND RETAINING UNEMPLOYED WORKERS

SEC. 101. PAYROLL TAX FORGIVENESS FOR HIRING UNEMPLOYED WORKERS.

(a) IN GENERAL.—Section 3111 is amended by adding at the end the following new subsection:

“(d) SPECIAL EXEMPTION FOR CERTAIN INDIVIDUALS HIRED IN 2010.—

“(1) IN GENERAL.—Subsection (a) shall not apply to wages paid by a qualified employer with respect to employment during the period beginning on the day after the date of the enactment of this subsection and ending on December 31, 2010, of any qualified individual for services performed—
“(A) in a trade or business of such qualified employer, or

“(B) in the case of a qualified employer exempt from tax under section 501(a), in furtherance of the activities related to the purpose or function constituting the basis of the employer’s exemption under section 501.

“(2) QUALIFIED EMPLOYER.—For purposes of this subsection—

“(A) IN GENERAL.—The term ‘qualified employer’ means any employer other than the United States, any State, or any political subdivision thereof, or any instrumentality of the foregoing.

“(B) TREATMENT OF EMPLOYEES OF POST-SECONDARY EDUCATIONAL INSTITUTIONS.—Notwithstanding subparagraph (A), the term ‘qualified employer’ includes any employer which is a public institution of higher education (as defined in section 101(b) of the Higher Education Act of 1965).

“(3) QUALIFIED INDIVIDUAL.—For purposes of this subsection, the term ‘qualified individual’ means any individual who—
“(A) begins employment with a qualified employer after February 3, 2010, and before January 1, 2011,

“(B) certifies by signed affidavit, under penalties of perjury, that such individual has not been employed for more than 40 hours during the 60-day period ending on the date such individual begins such employment,

“(C) is not employed by the qualified employer to replace another employee of such employer unless such other employee separated from employment voluntarily or for cause, and

“(D) is not an individual described in section 51(i)(1) (applied by substituting ‘qualified employer’ for ‘taxpayer’ each place it appears).

“(4) ELECTION.—A qualified employer may elect to have this subsection not apply. Such election shall be made in such manner as the Secretary may require.”.

(b) COORDINATION WITH WORK OPPORTUNITY CREDIT.—Section 51(c) is amended by adding at the end the following new paragraph:

“(5) COORDINATION WITH PAYROLL TAX FORGIVENESS.—The term ‘wages’ shall not include any amount paid or incurred to a qualified individual (as
defined in section 3111(d)(3)) during the 1-year period beginning on the hiring date of such individual by a qualified employer (as defined in section 3111(d)) unless such qualified employer makes an election not to have section 3111(d) apply.”.

(c) Transfers to Federal Old-Age and Survivors Insurance Trust Fund.—There are hereby appropriated to the Federal Old-Age and Survivors Trust Fund and the Federal Disability Insurance Trust Fund established under section 201 of the Social Security Act (42 U.S.C. 401) amounts equal to the reduction in revenues to the Treasury by reason of the amendments made by subsection (a). Amounts appropriated by the preceding sentence shall be transferred from the general fund at such times and in such manner as to replicate to the extent possible the transfers which would have occurred to such Trust Fund had such amendments not been enacted.

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

SEC. 102. BUSINESS CREDIT FOR RETENTION OF CERTAIN NEWLY HIRED INDIVIDUALS IN 2010.

(a) In General.—In the case of any taxable year ending after the date of the enactment of this Act, the current year business credit determined under section
38(b) of the Internal Revenue Code of 1986 for such taxable year shall be increased by an amount equal to the product of—

(1) $1,000, and

(2) the number of retained workers with respect to which subsection (b)(2) is first satisfied during such taxable year.

(b) RETAINED WORKER.—For purposes of this section, the term “retained worker” means any qualified individual (as defined in section 3111(d)(3) of the Internal Revenue Code of 1986)—

(1) who was employed by the taxpayer on any date during the taxable year,

(2) who was so employed by the taxpayer for a period of not less than 52 consecutive weeks, and

(3) whose wages for such employment during the last 26 weeks of such period equaled at least 80 percent of such wages for the first 26 weeks of such period.

(c) LIMITATION ON CARRYBACKS.—No portion of the unused business credit under section 38 of the Internal Revenue Code of 1986 for any taxable year which is attributable to the increase in the current year business credit under this section may be carried to a taxable year beginning before the date of the enactment of this section.
TITLE II—EXPENSING

SEC. 201. INCREASE IN EXPENSING OF CERTAIN DEPRECIABLE BUSINESS ASSETS.

(a) In General.—Subsection (b) of section 179 is amended—

(1) by striking “($125,000 in the case of taxable years beginning after 2006 and before 2011)” in paragraph (1) and inserting “($250,000 in the case of taxable years beginning after 2007 and before 2011)”;

(2) by striking “($500,000 in the case of taxable years beginning after 2006 and before 2011)” in paragraph (2) and inserting “($800,000 in the case of taxable years beginning after 2007 and before 2011)”;

(3) by striking paragraphs (5) and (7), and

(4) by redesignating paragraph (6) as paragraph (5).

(b) Effective Date.—The amendments made by this section shall apply to taxable years beginning after December 31, 2009.
TITLE III—QUALIFIED TAX CREDIT BONDS

SEC. 301. ISSUER ALLOWED REFUNDABLE CREDIT FOR CERTAIN QUALIFIED TAX CREDIT BONDS.

(a) Credit Allowed.—Section 6431 is amended by adding at the end the following new subsection:

“(f) Application of Section to Certain Qualified Tax Credit Bonds.—

“(1) In general.—In the case of any specified tax credit bond—

“(A) such bond shall be treated as a qualified bond for purposes of this section,

“(B) subsection (a) shall be applied without regard to the requirement that the qualified bond be issued before January 1, 2011,

“(C) the amount of the payment determined under subsection (b) with respect to any interest payment date under such bond shall be—

“(i) in the case of a bond issued by a qualified small issuer, 65 percent of the amount of interest payable on such bond by such issuer with respect to such date,
“(ii) in the case of a bond issued by any other person, 45 percent of the amount of interest payable on such bond by such issuer with respect to such date,

“(D) interest on any such bond shall be includible in gross income for purposes of this title,

“(E) no credit shall be allowed under section 54A with respect to such bond,

“(F) any payment made under subsection (b) shall not be includible as income for purposes of this title, and

“(G) the deduction otherwise allowed under this title to the issuer of such bond with respect to interest paid under such bond shall be reduced by the amount of the payment made under this section with respect to such interest.

“(2) DEFINITIONS.—For purposes of this subsection—

“(A) SPECIFIED TAX CREDIT BOND.—The term ‘specified tax credit bond’ means any qualified tax credit bond (as defined in section 54A(d)) if—

“(i) such bond is—
“(I) a new clean renewable energy bond (as defined in section 54C),
“(II) a qualified energy conservation bond (as defined in section 54D),
“(III) a qualified zone academy bond (as defined in section 54E), or
“(IV) a qualified school construction bond (as defined in section 54F),
and
“(ii) the issuer of such bond makes an irrevocable election to have this subsection apply
“(B) QUALIFIED SMALL ISSUER.—The term ‘qualified small issuer’ means, with respect to any calendar year, any issuer who is not reasonably expected to issue tax-exempt bonds (other than private activity bonds) and specified tax credit bonds (determined without regard to whether an election is made under this subsection) during such calendar year in an aggregate face amount exceeding $30,000,000.”.

(b) TECHNICAL CORRECTIONS RELATING TO QUALIFIED SCHOOL CONSTRUCTION BONDS.—

(1) The second sentence of section 54F(d)(1) is amended by striking “by the State” and inserting
“by the State education agency (or such other agency as is authorized under State law to make such allocation)”.

(2) The second sentence of section 54F(e) is amended by striking “subsection (d)(4)” and inserting “paragraphs (2) and (4) of subsection (d)”.

(c) Effective Dates.—

(1) In General.—The amendment made by subsection (a) shall apply to bonds issued after the date of the enactment of this Act.

(2) Technical Corrections.—The amendments made by subsection (b) shall take effect as if included in section 1521 of the American Recovery and Reinvestment Tax Act of 2009.

TITLE IV—EXTENSION OF CURRENT SURFACE TRANSPORTATION PROGRAMS

SEC. 401. SHORT TITLE.

This title may be cited as the “Surface Transportation Extension Act of 2010”

Subtitle A—Federal-aid Highways

SEC. 411. IN GENERAL.

(a) In General.—Except as provided in this Act, requirements, authorities, conditions, eligibilities, limitations, and other provisions authorized under titles I, V,

(b) AUTHORIZATION OF APPROPRIATIONS.—Except as provided in section 412, there are authorized to be appropriated out of the Highway Trust Fund (other than the Mass Transit Account)—

(1) for fiscal year 2010, a sum equal to the total amount authorized to be appropriated out of the Highway Trust Fund for programs, projects, and activities for fiscal year 2009 under titles I, V, and VI of the SAFETEA–LU (119 Stat. 1144), and title 23, United States Code (excluding chapter 4 of that title); and

(2) for the period beginning on October 1, 2010, and ending on December 31, 2010, a sum
equal to \( \frac{1}{4} \) of the total amount authorized to be appropriated out of the Highway Trust Fund for programs, projects, and activities for fiscal year 2009 under titles I, V, and VI of the SAFETEA–LU (119 Stat. 1144), and title 23, United States Code (excluding chapter 4 of that title).

(c) USE OF FUNDS.—

(1) FISCAL YEAR 2010.—Except as otherwise expressly provided in this Act, funds authorized to be appropriated under subsection (b)(1) for fiscal year 2010 shall be distributed, administered, limited, and made available for obligation in the same manner and at the same level as funds authorized to be appropriated out of the Highway Trust Fund for fiscal year 2009 to carry out programs, projects, activities, eligibilities, and requirements under the SAFETEA–LU (119 Stat. 1144), the SAFETEA–LU Technical Corrections Act of 2008 (122 Stat. 1572), titles I and VI of the Intermodal Surface Transportation Act of 1991 (105 Stat. 1914), titles I and V of the Transportation Equity Act for the 21st Century (112 Stat. 107), and title 23, United States Code (excluding chapter 4 of that title).

(2) FISCAL YEAR 2011.—Except as otherwise expressly provided in this Act, funds authorized to
be appropriated under subsection (b)(2) for the period beginning on October 1, 2010, and ending on December 31, 2010, shall be distributed, administered, limited, and made available for obligation in the same manner and at the same level as \(\frac{1}{4}\) of the total amount of funds authorized to be appropriated out of the Highway Trust Fund for fiscal year 2009 to carry out programs, projects, activities, eligibilities, and requirements under the SAFETEA–LU (119 Stat. 1144), the SAFETEA–LU Technical Corrections Act of 2008 (122 Stat. 1572), titles I and VI of the Intermodal Surface Transportation Act of 1991 (105 Stat. 1914), titles I and V of the Transportation Equity Act for the 21st Century (112 Stat. 107), and title 23, United States Code (excluding chapter 4 of that title).

(3) **CALCULATION.**—The amounts authorized to be appropriated under subsection (b) shall be calculated without regard to any rescission or cancellation of funds or contract authority for fiscal year 2009 under the SAFETEA–LU (119 Stat. 1144) or any other law.

(4) **CONTRACT AUTHORITY.**—

(A) **IN GENERAL.**—Except as provided in subparagraph (B), funds authorized to be ap-
propriated under this section shall be available for obligation and shall be administered in the same manner as if such funds were apportioned under chapter 1 of title 23, United States Code, and—

(i) for fiscal year 2010, shall be subject to a limitation on obligations for Federal-aid highways and highway safety construction programs included in an Act making appropriations for fiscal year 2010 or a portion of that fiscal year; and

(ii) for the period beginning on October 1, 2010, and ending on December 31, 2010, shall be subject to a limitation on obligations included in an Act making appropriations for fiscal year 2011 or a portion of that fiscal year, except that during such period obligations subject to such limitation shall not exceed 1/4 of the limitation on obligations included in an Act making appropriations for fiscal year 2011.

(B) EXCEPTIONS.—A limitation on obligations described in clause (i) or (ii) of subparagraph (A) shall not apply to any obligation under—
(i) section 125 of title 23, United States Code; or

(ii) section 105 of title 23, United States Code—

(I) for fiscal year 2010, only in an amount equal to $639,000,000;

and

(II) for the period beginning on October 1, 2010, and ending on December 31, 2010, only in an amount equal to $159,750,000.

(5) CALCULATIONS FOR DISTRIBUTION OF OBLIGATION LIMITATION.—Upon enactment of an Act making appropriations for the Department of Transportation for fiscal year 2011 (other than an Act or resolution making continuing appropriations), the Secretary shall—

(A) as necessary for purposes of making the calculations for the distribution of any obligation limitation under such Act, annualize the amount of contract authority provided under this Act for Federal-aid highways and highway safety construction programs; and
(B) multiply the resulting distribution of any obligation limitation under such Act by $\frac{1}{4}$.

(d) EXTENSION AND FLEXIBILITY FOR CERTAIN ALLOCATED PROGRAMS.—

(1) FISCAL YEAR 2010.—Notwithstanding any other provision of law, for fiscal year 2010, the portion of the share of funds of a State under subsection (b)(1) determined by the amount that the State received or was authorized to receive for fiscal year 2009 to carry out sections 1301, 1302, 1307, 1702, and 1934 of the SAFETEA–LU (119 Stat. 1198, 1204, 1217, 1256, and 1485), and section 144(f)(1) of title 23, United States Code, shall be—

(A) made available to the State for programs apportioned under sections 104(b) and 144 of title 23, United States Code, and in the same proportion for each such program that—

(i) the amount apportioned to the State for that program for fiscal year 2009; bears to

(ii) the amount apportioned to the State for fiscal year 2009 for all programs apportioned under such sections of such Code; and
(B) administered in the same manner and with the same period of availability as such funding is administered under programs identified in subparagraph (A), except that no funds may be used to carry out the project described in section 1307(d)(1) of the SAFETEA–LU (119 Stat. 1217; 122 Stat. 1577).

(2) Fiscal year 2011.—Notwithstanding any other provision of law, for the period beginning on October 1, 2010, and ending on December 31, 2010, the portion of the share of funds of a State under subsection (b)(2) determined by \(\frac{1}{4}\) of the amount that the State received or was authorized to receive for fiscal year 2009 to carry out sections 1301, 1302, 1307, 1702, and 1934 of the SAFETEA–LU (119 Stat. 1198, 1204, 1217, 1256, and 1485) and section 144(f)(1) of title 23, United States Code, shall be—

(A) made available to the State for programs apportioned under sections 104(b) and 144 of title 23, United States Code, and in the same proportion for each such program that—

(i) the amount apportioned to the State for that program for fiscal year 2009; bears to
(ii) the amount apportioned to the State for fiscal year 2009 for all programs apportioned under such sections of such Code; and

(B) administered in the same manner and with the same period of availability as such funding is administered under programs identified in subparagraph (A), except that no funds may be used to carry out the project described in section 1307(d)(1) of the SAFETEA–LU (119 Stat. 1217; 122 Stat. 1577).

(3) TERRITORIES AND PUERTO RICO.—

(A) FISCAL YEAR 2010.—Notwithstanding any other provision of law, for fiscal year 2010, the portion of the share of funds of a territory or Puerto Rico under paragraph (b)(1) determined by the amount that the territory or Puerto Rico received or was authorized to receive for fiscal year 2009 to carry out section 1934 of SAFETEA–LU (119 Stat. 1485), shall be—

(i) for a territory, made available and administered in the same manner as funding is made available and administered
under section 215 of title 23, United States Code; and

(ii) for Puerto Rico, made available and administered in the same manner as funding is made available and administered under section 165 of title 23, United States Code.

(B) FISCAL YEAR 2011.—Notwithstanding any other provision of law, for the period beginning on October 1, 2010, and ending on December 31, 2010, the portion of the share of funds of a territory or Puerto Rico under paragraph (b)(2) determined by \( \frac{1}{4} \) of the amount that the territory or Puerto Rico received or was authorized to receive for fiscal year 2009 to carry out section 1934 of SAFETEA-LU (119 Stat. 1485), shall be—

(i) for a territory, made available and administered in the same manner as funding is made available and administered under section 215 of title 23, United States Code; and

(ii) for Puerto Rico, made available and administered in the same manner as funding is made available and administered
under section 165 of title 23, United States Code.

(C) TERRITORY DEFINED.—In this paragraph, the term “territory” means any of the following territories of the United States: American Samoa, the Commonwealth of the Northern Mariana Islands, Guam, or the United States Virgin Islands.

(4) ADDITIONAL FUNDS.—

(A) IN GENERAL.—No additional funds shall be provided for any project or activity under subsection (c), or paragraph (1) or (2) of this subsection, that the Secretary of Transportation determines was sufficiently funded before or during fiscal year 2009 to achieve the authorized purpose of the project or activity.

(B) RESERVATION AND REDISTRIBUTION OF FUNDS.—Funds made available in accordance with paragraph (1) or (2) of subsection (c) or paragraph (1) or (2) of this subsection for a project or activity described in subparagraph (A) shall be—

(i) reserved by the Secretary of Transportation; and
(ii) distributed to each State in accordance with paragraph (1) or (2) of subsection (c), or paragraph (1) or (2) of this subsection, as appropriate, for use in carrying out other highway projects and activities extended by subsection (c) or this subsection, in the proportion that—

(I) the total amount of funds made available for fiscal year 2009 for projects and activities described in subparagraph (A) in the State; bears to

(II) the total amount of funds made available for fiscal year 2009 for those projects and activities in all States.

(e) Extension of Authorizations Under Title V of SAFETEA–LU.—

(1) In general.—The programs authorized under paragraphs (1) through (5) of section 5101(a) of the SAFETEA–LU (119 Stat. 1779) shall be continued—

(A) for fiscal year 2010, at the funding levels authorized for those programs for fiscal year 2009; and
(B) for the period beginning on October 1, 2010, and ending on December 31, 2010, at \( \frac{1}{4} \) the funding levels authorized for those programs for fiscal year 2009.

(2) DISTRIBUTION OF FUNDS.—Funds for programs continued under paragraph (1) shall be distributed to major program areas under those programs in the same proportions as funds were allocated for those program areas for fiscal year 2009, except that designations for specific activities shall not be required to be continued for—

(A) fiscal year 2010; or

(B) the period beginning on October 1, 2010, and ending on December 31, 2010.

(3) ADDITIONAL FUNDS.—

(A) IN GENERAL.—No additional funds shall be provided for any project or activity under this subsection that the Secretary of Transportation determines was sufficiently funded before or during fiscal year 2009 to achieve the authorized purpose of the project or activity.

(B) DISTRIBUTION.—Funds that would have been made available under paragraph (1) for a project or activity but for the prohibition
under subparagraph (A) shall be distributed in accordance with paragraph (2).

SEC. 412. ADMINISTRATIVE EXPENSES.

(a) Authorization of Contract Authority.—Notwithstanding any other provision of this Act or any other law, there are authorized to be appropriated from the Highway Trust Fund (other than the Mass Transit Account), from amounts provided under section 411, for administrative expenses of the Federal-aid highway program—

(1) $422,425,000 for fiscal year 2010; and

(2) $105,606,250 for the period beginning on October 1, 2010, and ending on December 31, 2010.

(b) Contract Authority.—Funds authorized to be appropriated by this section shall be—

(1) available for obligation, and shall be administered, in the same manner as if such funds were apportioned under chapter 1 of title 23, United States Code; and

(2) subject to a limitation on obligations for Federal-aid highways and highway safety construction programs, except that such funds shall remain available until expended.
SEC. 413. RESCISSION OF UNOBLIGATED BALANCES.

(a) In General.—The Secretary of Transportation shall restore funds rescinded pursuant to section 10212 of the SAFETEA–LU (Public Law 109–59; 119 Stat. 1937) to the States and to the programs from which the funds were rescinded.

(b) Administration of Funds.—The restored amounts shall be administered in the same manner as the funds originally rescinded, except those funds may only be used with an obligation limitation provided in an Act making appropriations for Federal-aid highways and highway safety construction programs enacted after implementation of the rescission under section 10212 of the SAFETEA–LU (Public Law 109–59; 119 Stat. 1937).

(c) Funding.—

(1) In General.—There is authorized to be appropriated from the Highway Trust Fund (other than the Mass Transit Account) for fiscal year 2010 to carry out this section an amount equal to the amount of funds rescinded under section 10212 of the SAFETEA–LU (Public Law 109–59; 119 Stat. 1937).

(2) Availability for Obligation.—Funds authorized to be appropriated by this section shall be—
(A) made available under this section and available for obligation in the same manner as if the funds were apportioned under chapter 1 of title 23, United States Code, except that the funds shall retain the characteristics of the funds originally rescinded; and

(B) subject to a limitation on obligations for Federal-aid highways and highway safety construction programs included in an Act making appropriations for fiscal year 2010 or a portion of the fiscal year.

(d) LIMITATION.—No funds authorized to be restored under this section shall be restored after the end of fiscal year 2010.

SEC. 414. RECONCILIATION OF FUNDS.

The Secretary shall reduce the amount apportioned or allocated for a program, project, or activity under this title by amounts apportioned or allocated pursuant to the Continuing Appropriations Resolution, 2010 (Public Law 111–68).
Subtitle B—National Highway Traffic Safety Administration, Federal Motor Carrier Safety Administration, and Additional Programs

SEC. 421. EXTENSION OF NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION HIGHWAY SAFETY PROGRAMS.

(a) Chapter 4 Highway Safety Programs.—Section 2001(a)(1) of the SAFETEA–LU (119 Stat. 1519) is amended—

(1) by striking “and”; and

(2) by striking “2009.” and inserting “2009, $235,000,000 for fiscal year 2010, and $58,750,000 for the period beginning on October 1, 2010, and ending on December 31, 2010.”.

(b) Highway Safety Research and Development.—Section 2001(a)(2) of the SAFETEA–LU (119 Stat. 1519) is amended—

(1) by striking “and”; and

(2) by striking “2009.” and inserting “2009, $107,329,000 for fiscal year 2010, and $27,061,000 for the period beginning on October 1, 2010, and ending on December 31, 2010.”.

(c) Occupant Protection Incentive Grants.—
(1) Extension of Program.—Section 405(a) of title 23, United States Code, is amended—

(A) in paragraph (3), by striking “6” and inserting “8”; and

(B) in paragraph (4)(C), by striking “fifth and sixth” and inserting “fifth through eighth”.

(2) Authorization of Appropriations.—Section 2001(a)(3) of the SAFETEA–LU (119 Stat. 1519) is amended—

(A) by striking “and”; and

(B) by striking “2009.” and inserting “2009, $25,000,000 for fiscal year 2010, and $6,250,000 for the period beginning on October 1, 2010, and ending on December 31, 2010.”.

(d) Safety Belt Performance Grants.—Section 2001(a)(4) of the SAFETEA–LU (119 Stat. 1519) is amended—

(1) by striking “and”; and

(2) by striking “2009.” and inserting “2009, $124,500,000 for fiscal year 2010, and $31,125,000 for the period beginning on October 1, 2010, and ending on December 31, 2010.”.

(e) State Traffic Safety Information System Improvements.—Section 2001(a)(5) of the SAFETEA–LU (119 Stat. 1519) is amended—
(1) by striking “and”; and

(2) by striking “2009.” and inserting “2009, $34,500,000 for fiscal year 2010, and $8,625,000 for the period beginning on October 1, 2010, and ending on December 31, 2010.”.

(f) Alcohol-Impaired Driving Countermeasures Incentive Grant Program.—

(1) Extension of Program.—Section 410 of title 23, United States Code, is amended—

(A) in subsection (a)(3)(C), by striking “fifth, sixth, seventh, and eighth” and inserting “fifth through tenth”; and


(2) Authorization of Appropriations.—

Section 2001(a)(6) of the SAFETEA-LU (119 Stat. 1519) is amended—

(A) by striking “and”; and

(B) by striking “2009.” and inserting “2009, $139,000,000 for fiscal year 2010, and $34,750,000 for the period beginning on October 1, 2010, and ending on December 31, 2010.”.
(g) NATIONAL DRIVER REGISTER.—Section 2001(a)(7) of the SAFETEA–LU (119 Stat. 1520) is amended—

(1) by striking “and”; and

(2) by striking “2009.” and inserting “2009, $4,078,000 for fiscal year 2010, and $1,029,000 for the period beginning on October 1, 2010, and ending on December 31, 2010.”.

(h) HIGH VISIBILITY ENFORCEMENT PROGRAM.—

(1) EXTENSION OF PROGRAM.—Section 2009(a) of the SAFETEA–LU (23 U.S.C. 402 note) is amended by striking “2009” and inserting “2011”.

(2) AUTHORIZATION OF APPROPRIATIONS.—Section 2001(a)(8) of the SAFETEA–LU (119 Stat. 1520) is amended—

(A) by striking “and”; and

(B) by striking “2009.” and inserting “2009, $29,000,000 for fiscal year 2010, and $7,250,000 for the period beginning on October 1, 2010, and ending on December 31, 2010.”.

(i) MOTORCYCLIST SAFETY.—

(1) EXTENSION OF PROGRAM.—Section 2010(d)(1)(B) of the SAFETEA–LU (23 U.S.C. 402 note) is amended by striking “and fourth” and inserting “fourth, fifth, and sixth”.

(2) AUTHORIZATION OF APPROPRIATIONS.—

Section 2001(a)(9) of the SAFETEA–LU (119 Stat. 1520) is amended—

(A) by striking “and”; and

(B) by striking “2009.” and inserting “2009, $7,000,000 for fiscal year 2010, and $1,750,000 for the period beginning on October 1, 2010, and ending on December 31, 2010.”.

(j) CHILD SAFETY AND CHILD BOOSTER SEAT SAFETY INCENTIVE GRANTS.—

(1) EXTENSION OF PROGRAM.—Section 2011(c)(2) of the SAFETEA–LU (23 U.S.C. 405 note) is amended by striking “fourth fiscal year” and inserting “fourth, fifth, and sixth fiscal years”.

(2) AUTHORIZATION OF APPROPRIATIONS.—

Section 2001(a)(10) of the SAFETEA–LU (119 Stat. 1520) is amended—

(A) by striking “and”; and

(B) by striking “2009.” and inserting “2009, $7,000,000 for fiscal year 2010, and $1,750,000 for the period beginning on October 1, 2010, and ending on December 31, 2010.”.

(k) ADMINISTRATIVE EXPENSES.—Section 2001(a)(11) of the SAFETEA–LU (119 Stat. 1520) is amended—
(1) by striking “and” the last place it appears; and

(2) by striking “2009.” and inserting “2009, $25,047,000 for fiscal year 2010, and $6,332,000 for the period beginning on October 1, 2010, and ending on December 31, 2010.”.

(I) APPLICABILITY OF TITLE 23.—Section 2001(e) of the SAFETEA–LU (119 Stat. 1520) is amended by striking “2009” and inserting “2011”.

(M) DRUG-IMPAIRED DRIVING ENFORCEMENT.—
Section 2013(f) of the SAFETEA–LU (23 U.S.C. 403 note) is amended by striking “2009” and inserting “2011”.

(N) OLDER DRIVER SAFETY; LAW ENFORCEMENT TRAINING.—Section 2017 of the SAFETEA–LU is amended—

(1) in subsection (a)(1) (119 Stat. 1541), by striking “2009” and inserting “2011”; and

(2) in subsection (b)(2) (23 U.S.C. 402 note), by striking “2009” and inserting “2011”.

SEC. 422. EXTENSION OF FEDERAL MOTOR CARRIER SAFETY ADMINISTRATION PROGRAMS.

(a) MOTOR CARRIER SAFETY GRANTS.—Section 31104(a) of title 49, United States Code, is amended—
(1) in paragraph (4), by striking “and” at the end;

(2) in paragraph (5), by striking the period at the end and inserting “; and”;

(3) by adding at the end the following:

“(6) $209,000,000 for fiscal year 2010; and

“(7) $52,679,000 for the period beginning on October 1, 2010, and ending on December 31, 2010.”.

(b) Administrative Expenses.—Section 31104(i)(1) of title 49, United States Code, is amended—

(1) in subparagraph (D), by striking “and”;

(2) in subparagraph (E), by striking the period at the end and inserting “; and”;

(3) by adding at the end the following:

“(F) $239,828,000 for fiscal year 2010; and

“(G) $61,036,000 for the period beginning on October 1, 2010, and ending on December 31, 2010.”.

(c) Grant Programs.—Section 4101(c) of the SAFETEA–LU (119 Stat.1715) is amended—

(1) in paragraph (1), by striking “2009.” and inserting “2009, and $25,000,000 for fiscal year 2010, and $6,301,000 for the period beginning on
(2) in paragraph (2), by striking “2009.” and inserting “2009, $32,000,000 for fiscal year 2010, and $8,066,000 for the period beginning on October 1, 2010, and ending on December 31, 2010.”;

(3) in paragraph (3), by striking “2009.” and inserting “2009, $5,000,000 for fiscal year 2010, and $1,260,000 for the period beginning on October 1, 2010, and ending on December 31, 2010.”;

(4) in paragraph (4), by striking “2009.” and inserting “2009, $25,000,000 for fiscal year 2010, and $6,301,000 for the period beginning on October 1, 2010, and ending on December 31, 2010.”;

(5) in paragraph (5), by striking “2009.” and inserting “2009, $3,000,000 for fiscal year 2010, and $756,000 for the period beginning on October 1, 2010, and ending on December 31, 2010.”.

(d) HIGH-PRIORITY ACTIVITIES.—Section 31104(k) of title 49, United States Code, is amended by striking “2009” in paragraph (2) and inserting “2009, $15,000,000 for fiscal year 2010, and $3,781,000 for the period beginning on October 1, 2010, and ending on December 31, 2010”. 
(e) New Entrant Audits.—Section 31144(g)(5)(B) of title 49, United States Code, is amended by inserting “(and up to $7,310,000 for the period beginning on October 1, 2010, and ending on December 31, 2010)” after “fiscal year”.

(f) Commercial Driver’s License Information System Modernization.—Section 4123(d) of the SAFETEA–LU (119 Stat.1736) is amended—

(1) in paragraph (3), by striking “and” at the end;

(2) in paragraph (4), by striking the period at the end and inserting a semicolon; and

(3) by adding at the end the following:

“(5) $8,000,000 for fiscal year 2010; and

“(6) $2,016,000 for the period beginning on October 1, 2010, and ending on December 31, 2010.”.

(g) Outreach and Education.—Section 4127(e) of the SAFETEA–LU (119 Stat.1741) is amended by striking “and 2009” and inserting “2009, and 2010, and $252,000 to the Federal Motor Carrier Safety Administration, and $756,000 to the National Highway Traffic Safety Administration, for the period beginning on October 1, 2010, and ending on December 31, 2010,”.
(h) **GRANT PROGRAM FOR COMMERCIAL MOTOR VEHICLE OPERATORS.**—Section 4134(c) of the SAFETEA–LU (119 Stat.1744) is amended by striking “‘2009’” and inserting “‘2009, 2010, and $252,000 for the period beginning on October 1, 2010, and ending on December 31, 2010’’.

(i) **MOTOR CARRIER SAFETY ADVISORY COMMITTEE.**—Section 4144(d) of the SAFETEA-LU (1119 Stat.1748) is amended by striking “‘September 30, 2010’” and inserting “‘December 31, 2010’”.

(j) **WORKING GROUP FOR DEVELOPMENT OF PRACTICES AND PROCEDURES TO ENHANCE FEDERAL-STATE RELATIONS.**—Section 4213(d) of the SAFETEA–LU (49 U.S.C. 14710 note) is amended by striking “‘September 30, 2009’” and inserting “‘December 31, 2010’”.

**SEC. 423. ADDITIONAL PROGRAMS.**

(a) **HAZARDOUS MATERIALS RESEARCH PROJECTS.**—Section 7131(c) of the SAFETEA–LU (119 Stat. 1910) is amended by striking “‘through 2009’” and inserting “‘through 2010, and $315,000 for the period beginning on October 1, 2010, and ending on December 31, 2010’’.

(b) **DINGELL-JOHNSON SPORT FISH RESTORATION ACT.**—Section 4 of the Dingell-Johnson Sport Fish Restoration Act (16 U.S.C. 777e) is amended—
(1) in subsection (a), in the matter preceding paragraph (1), by striking “2009,” and inserting “2010 and for the period beginning on October 1, 2010, and ending on December 31, 2010,”; and

(2) in subsection (b)(1)(A), by striking “2010,” and inserting “and for the period beginning on October 1, 2010, and ending on December 31, 2010,.”

Subtitle C—Public Transportation Programs

SEC. 431. ALLOCATION OF FUNDS FOR PLANNING PROGRAMS.

Section 5305(g) of title 49, United States Code, is amended by striking “2009” and inserting “2010, and for the period beginning October 1, 2010, and ending December 31, 2010,”.

SEC. 432. SPECIAL RULE FOR URBANIZED AREA FORMULA GRANTS.

Section 5307(b)(2) of title 49, United States Code, is amended—

(2) in subparagraph (A), by striking “2009,”
and inserting “2010, and the period beginning Octo-
ber 1, 2010, and ending December 31, 2010,”; and
(3) in subparagraph (E)—

(A) in the subparagraph heading, by strik-
ing “AND 2009” and inserting “THROUGH 2010
AND DURING THE PERIOD BEGINNING OCTOBER
1, 2010, AND ENDING DECEMBER 31, 2010”; and
(B) in the matter preceding clause (i), by
striking “and 2009” and inserting “through
2010, and during the period beginning October
1, 2010, and ending December 31, 2010,”.

SEC. 433. ALLOCATING AMOUNTS FOR CAPITAL INVEST-
MENT GRANTS.

Section 5309(m) of title 49, United States Code, is
amended—

(1) in paragraph (2)—

(A) in the heading, by striking “2009” and
inserting “2010 AND OCTOBER 1, 2010, THROUGH
DECEMBER 31, 2010”;

(B) in the matter preceding subparagraph
(A), by striking “2009” and inserting “2010,
and during the period beginning October 1,
2010, and ending December 31, 2010,”; and
(C) in subparagraph (A)(i), by striking “2009” and inserting “2010, and $50,000,000 for the period beginning October 1, 2010, and ending December 31, 2010,”;

(2) in paragraph (6)—

(A) in subparagraph (B), by striking “2009” and inserting “2010, and $3,750,000 shall be available for the period beginning October 1, 2010, and ending December 31, 2010,”; and

(B) in subparagraph (C), by striking “2009” and inserting “2010, and $1,250,000 shall be available for the period beginning October 1, 2010 and ending December 31, 2010,”; and

(3) in paragraph (7)—

(A) in subparagraph (A)—

(i) by redesignating clauses (i) through (viii) as subclauses (I) through (VIII), respectively;

(ii) in the matter preceding subclause (I), as so redesignated, by striking “$10,000,000” and all that follows through “2009” and inserting the following:
“(i) Fiscal years 2006 through 2010.—$10,000,000 shall be available in each of fiscal years 2006 through 2010’’; and

(iii) by inserting after subclause (VIII), as so redesignated, the following:

“(ii) Special rule for October 1, 2010, through December 31, 2010.—$2,500,000 shall be available in the period beginning October 1, 2010, and ending December 31, 2010, for ferry boats or ferry terminal facilities. The Secretary shall set aside a portion of such amount in accordance with clause (i), except that the Secretary shall set aside 25 percent of each dollar amount specified in subclauses (I) through (VIII).’’;”.

(B) in subparagraph (B), by inserting after “2009.” the following:

“(v) $13,500,000 for fiscal year 2010.

“(vi) $3,375,000 for the period beginning October 1, 2010, and ending December 31, 2010.’’;

(C) in subparagraph (C), by inserting “, and during the period beginning October 1,
2010, and ending December 31, 2010,” after “fiscal year”; (D) in subparagraph (D), by inserting “,
and not less than $8,750,000 shall be available for the period beginning October 1, 2010, and ending December 31, 2010,” after “year”; and (E) in subparagraph (E), by inserting “,
and $750,000 shall be available for the period beginning October 1, 2010, and ending December 31, 2010,” after “year”.

SEC. 434. APPORTIONMENT OF FORMULA GRANTS FOR OTHER THAN URBANIZED AREAS. Section 5311(c)(1) of title 49, United States Code, is amended by adding at the end the following:
“(E) $15,000,000 for fiscal year 2010.
“(F) $3,750,000 for the period beginning October 1, 2010, and ending December 31, 2010.”.

SEC. 435. APPORTIONMENT BASED ON FIXED GUIDEWAY FACTORS. Section 5337 of title 49, United States Code, is amended— (1) in subsection (a), in the matter preceding paragraph (1), by striking “2009” and inserting “2010”; and
(2) by adding at the end the following:

“(g) SPECIAL RULE FOR OCTOBER 1, 2010, THROUGH DECEMBER 31, 2010.—The Secretary shall apportion amounts made available for fixed guideway modernization under section 5309 for the period beginning October 1, 2010, and ending December 31, 2010, in accordance with subsection (a), except that the Secretary shall apportion 25 percent of each dollar amount specified in subsection (a).”.

SEC. 436. AUTHORIZATIONS FOR PUBLIC TRANSPORTATION.

(a) FORMULA AND BUS GRANTS.—Section 5338(b) of title 49, United States Code, is amended—

(1) in paragraph (1)—

(A) in subparagraph (C), by striking “and” at the end;

(B) in subparagraph (D), by striking the period at the end and inserting a semicolon;

and

(C) by adding at the end the following:

“(E) $8,360,565,000 for fiscal year 2010;

and

“(F) $2,090,141,250 for the period beginning October 1, 2010, and ending December 31, 2010.”; and
(2) in paragraph (2)—

(A) in subparagraph (A), by striking “and $113,500,000 for fiscal year 2009” and inserting “$113,500,000 for each of fiscal years 2009 and 2010, and $28,375,000 for the period beginning October 1, 2010, and ending December 31, 2010,”;

(B) in subparagraph (B), by striking “and $4,160,365,000 for fiscal year 2009” and inserting “$4,160,365,000 for each of fiscal years 2009 and 2010, and $1,040,091,250 for the period beginning October 1, 2010, and ending December 31, 2010,”;

(C) in subparagraph (C), by striking “and $51,500,000 for fiscal year 2009” and inserting “$51,500,000 for each of fiscal years 2009 and 2010, and $12,875,000 for the period beginning October 1, 2010, and ending December 31, 2010,”;

(D) in subparagraph (D), by striking “and $1,666,500,000 for fiscal year 2009” and inserting “$1,666,500,000 for each of fiscal years 2009 and 2010, and $416,625,000 for the period beginning October 1, 2010 and ending December 31, 2010,”;
(E) in subparagraph (E), by striking “and $984,000,000 for fiscal year 2009” and inserting “$984,000,000 for each of fiscal years 2009 and 2010, and $246,000,000 for the period beginning October 1, 2010 and ending December 31, 2010,”;

(F) in subparagraph (F), by striking “and $133,500,000 for fiscal year 2009” and inserting “$133,500,000 for each of fiscal years 2009 and 2010, and $33,375,000 for the period beginning October 1, 2010 and ending December 31, 2010,”;

(G) in subparagraph (G), by striking “and $465,000,000 for fiscal year 2009” and inserting “$465,000,000 for each of fiscal years 2009 and 2010, and $116,250,000 for the period beginning October 1, 2010 and ending December 31, 2010,”;

(H) in subparagraph (H), by striking “and $164,500,000 for fiscal year 2009” and inserting “$164,500,000 for each of fiscal years 2009 and 2010, and $41,125,000 for the period beginning October 1, 2010 and ending December 31, 2010,”;
(I) in subparagraph (I), by striking “and $92,500,000 for fiscal year 2009” and inserting “$92,500,000 for each of fiscal years 2009 and 2010, and $23,125,000 for the period beginning October 1, 2010 and ending December 31, 2010,”;

(J) in subparagraph (J), by striking “and $26,900,000 for fiscal year 2009” and inserting “$26,900,000 for each of fiscal years 2009 and 2010, and $6,725,000 for the period beginning October 1, 2010 and ending December 31, 2010,”;

(K) in subparagraph (K), by striking “and $3,500,000 for fiscal year 2009” and inserting “$3,500,000 for each of fiscal years 2009 and 2010, and $875,000 for the period beginning October 1, 2010 and ending December 31, 2010,”;

(L) in subparagraph (L), by striking “and $25,000,000 for fiscal year 2009” and inserting “$25,000,000 for each of fiscal years 2009 and 2010, and $6,250,000 for the period beginning October 1, 2010 and ending December 31, 2010,”;
(M) in subparagraph (M), by striking “and
$465,000,000 for fiscal year 2009” and insert-
ing “$465,000,000 for each of fiscal years 2009
and 2010, and $116,250,000 for the period be-
ginning October 1, 2010 and ending December
31, 2010,”; and

(N) in subparagraph (N), by striking “and
$8,800,000 for fiscal year 2009” and inserting
“$8,800,000 for each of fiscal years 2009 and
2010, and $2,200,000 for the period beginning
October 1, 2010 and ending December 31,
2010,”.

(b) CAPITAL INVESTMENT GRANTS.—Section
5338(c) of title 49, United States Code, is amended—

(1) in paragraph (3), by striking “and” at the
end;

(2) in paragraph (4), by striking the period at
the end and inserting a semicolon; and

(3) by adding at the end the following:

“(5) $2,000,000,000 for fiscal year 2010; and

“(6) $500,000,000 for the period of October 1,
2010 through December 31, 2010.”.

(e) RESEARCH AND UNIVERSITY RESEARCH CEN-
TERS.—Section 5338(d) of title 49, United States Code,
is amended—
(1) in paragraph (1), in the matter preceding subparagraph (A), by striking “and $69,750,000 for fiscal year 2009” and inserting “$69,750,000 for each of fiscal years 2009 and 2010, and $17,437,500 for the period beginning October 1, 2010, and ending December 31, 2010”; and

(2) by adding at the end the following:

“(3) ADDITIONAL AUTHORIZATIONS.—

“(A) IN GENERAL.—

“(i) FISCAL YEAR 2010.—Of amounts authorized to be appropriated for fiscal year 2010 under paragraph (1), the Secretary shall allocate for each of the activities and projects described in subparagraphs (A) through (F) of paragraph (1) an amount equal to the amount allocated for fiscal year 2009 under each such subparagraph.

“(ii) OCTOBER 1, 2010 THROUGH DECEMBER 31, 2010.—Of amounts authorized to be appropriated for the period beginning October 1, 2010, through December 31, 2010, under paragraph (1), the Secretary shall allocate for each of the activities and projects described in subparagraphs (A)
through (F) of paragraph (1) an amount equal to 25 percent of the amount allocated for fiscal year 2009 under each such subparagraph.

“(B) UNIVERSITY CENTERS PROGRAM.—

“(i) FISCAL YEAR 2010.—Of the amounts allocated under subparagraph (A)(i) for the university centers program under section 5506 for fiscal year 2010, the Secretary shall allocate for each program described in clauses (i) through (iii) and (v) through (viii) of paragraph (2)(A) an amount equal to the amount allocated for fiscal year 2009 under each such clause.

“(ii) OCTOBER 1, 2010 THROUGH DECEMBER 31, 2010.—Of the amounts allocated under subparagraph (A)(i) for the university centers program under section 5506 for the period beginning October 1, 2010, and ending December 31, 2010, the Secretary shall allocate for each program described in clauses (i) through (iii) and (v) through (viii) of paragraph (2)(A) an amount equal to 25 percent of the amount
allocated for fiscal year 2009 under each such clause.

“(iii) Funding.—If the Secretary determines that a project or activity described in paragraph (2) received sufficient funds in fiscal year 2009, or a previous fiscal year, to carry out the purpose for which the project or activity was authorized, the Secretary may not allocate any amounts under clause (i) or (ii) for the project or activity for fiscal year 2010, or any subsequent fiscal year.”.

(d) Administration.—Section 5338(e) of title 49, United States Code, is amended—

(1) in paragraph (3), by striking “and” at the end;

(2) in paragraph (4), by striking the period at the end and inserting a semicolon; and

(3) by adding at the end the following:

“(5) $98,911,000 for fiscal year 2010; and

“(6) $24,727,750 for the period beginning October 1, 2010, and ending December 31, 2010.”.

SEC. 437. AMENDMENTS TO SAFETEA–LU.

(a) Contracted Paratransit Pilot.—Section 3009(i)(1) of the SAFETEA–LU (Public Law 109–59;
1 119 Stat. 1572) is amended by striking “2009” and ins-
2 erting “2010, and for the period beginning October 1,
3 2010, and ending December 31, 2010”.

(b) Public-private Partnership Pilot Program.—Section 3011 of the SAFETEA–LU (49 U.S.C.
5 5309 note) is amended—
6  
7 (1) in subsection (e)(5), by striking “2009” and
8 inserting “2010 and the period beginning October 1,
9 2010, and ending December 31, 2010”; and
10  
11 (2) in subsection (d), by striking “2009” and
12 inserting “2010, and for the period beginning Octo-
13 ber 1, 2010, and ending December 31, 2010”.
14  
15 (c) Elderly Individuals and Individuals With
16 Disabilities Pilot Program.—Section 3012(b)(8) of
17 the SAFETEA–LU (49 U.S.C. 5310 note) is amended by
18 striking “September 30, 2009” and inserting “December
19 31, 2010”.
20  
21 (d) Obligation Ceiling.—Section 3040 of the
22 SAFETEA–LU (Public Law 109–59; 119 Stat. 1639) is
23 amended—
24  
25 (1) in paragraph (4), by striking “and” at the
26 end;
27 (2) in paragraph (5), by striking the period at
28 the end and inserting a semicolon; and
29 (3) by adding at the end the following:
“(6) $10,507,752,000 for fiscal year 2010, of which not more than $8,360,565,000 shall be from the Mass Transit Account; and

“(7) $2,626,938,000 for the period beginning October 1, 2010, and ending December 31, 2010, of which not more than $2,090,141,250 shall be from the Mass Transit Account.”.

(e) Project authorizations for new fixed guideway capital projects.—Section 3043 of the SAFETEA–LU (Public Law 109–59; 119 Stat. 1640) is amended—

(1) in subsection (b), in the matter preceding paragraph (1), by striking “2009” and inserting “2010, and for the period beginning October 1, 2010, and ending December 31, 2010,”; and

(2) in subsection (c), in the matter preceding paragraph (1), by striking “2009” and inserting “2010, and for the period beginning October 1, 2010, and ending December 31, 2010,”.

(f) Allocations for national research and technology programs.—Section 3046 of the SAFETEA–LU (49 U.S.C. 5338 note) is amended—

(1) in subsection (b), by inserting “or period” after “fiscal year”; and

(2) by adding at the end the following:
“(c) ADDITIONAL APPROPRIATIONS.—The Secretary shall allocate amounts appropriated pursuant to section 5338(d) of title 49, United States Code, for national research and technology programs under sections 5312, 5314, and 5322 of such title—

“(1) for fiscal year 2010, in amounts equal to the amounts allocated for fiscal year 2009 under each of paragraphs (2), (3), (5), (6), and (8) through (25) of subsection (a); and

“(2) for the period beginning October 1, 2010, and ending December 31, 2010, in amounts equal to 25 percent of the amounts allocated for fiscal year 2009 under each of paragraphs (2), (3), (5), (6), and (8) through (25) of subsection (a).

“(d) FUNDING.—If the Secretary determines that a project or activity described in subsection (a) received sufficient funds in fiscal year 2009, or a previous fiscal year, to carry out the purpose for which the project or activity was authorized, the Secretary may not allocate any amounts under subsection (c) for the project or activity for fiscal year 2010, or any subsequent fiscal year.”.
Subtitle D—Revenue Provisions

SEC. 441. REPEAL OF PROVISION PROHIBITING THE CREDITING OF INTEREST TO THE HIGHWAY TRUST FUND.

(a) In General.—Paragraph (1) of section 9503(f) is amended by striking subparagraph (B).

(b) Conforming Amendments.—Such paragraph, as amended by paragraph (1), is further amended—

(1) by striking “, and” at the end of subparagraph (A) and inserting a period; and

(2) by striking “1998” in the matter preceding subparagraph (A) and all that follows through “the opening balance” and inserting “1998, the opening balance”.

(e) Effective Date.—The amendments made by this section shall take effect on the date of the enactment of this title.

SEC. 442. RESTORATION OF CERTAIN FOREGONE INTEREST TO HIGHWAY TRUST FUND.

(a) In General.—Paragraph (2) of section 9503(f) is amended to read as follows:

“(2) Restoration of foregone interest.—Out of money in the Treasury not otherwise appropriated, there is hereby appropriated—
“(A) $14,700,000,000 to the Highway Account (as defined in subsection (e)(5)(B)) in the Highway Trust Fund; and

“(B) $4,800,000,000 to the Mass Transit Account in the Highway Trust Fund.”.

(b) CONFORMING AMENDMENT.—Paragraph (1) of section 9503(e) is amended by striking “this subsection” and inserting “this section”.

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

SEC. 443. TREATMENT OF CERTAIN AMOUNTS APPROPRIATED TO HIGHWAY TRUST FUND.

(a) IN GENERAL.—Section 9503(f), as amended by this Act, is amended by adding at the end the following new paragraph:

“(4) TREATMENT OF APPROPRIATED AMOUNTS.—Any amount appropriated under this subsection to the Highway Trust Fund shall remain available without fiscal year limitation.”.

(b) EFFECTIVE DATE.—The amendment made by this section shall take effect on the date of the enactment of this Act.
SEC. 444. TERMINATION OF TRANSFERS FROM HIGHWAY TRUST FUND FOR CERTAIN REPAYMENTS AND CREDITS.

(a) In General.—Section 9503(c) is amended by striking paragraph (2) and by redesignating paragraphs (3), (4), (5), and (6) as paragraphs (2), (3), (4), and (5), respectively.

(b) Conforming Amendments.—

(1) Section 9502(a) is amended by striking “section 9503(c)(7)” and inserting “section 9503(c)(5)”.

(2) Section 9503(b)(4)(D) is amended by striking “paragraph (4)(D) or (5)(B)” and inserting “paragraph (3)(D) or (4)(B)”.

(3) Paragraph (2) of section 9503(c), as redesignated by subsection (a), is amended by adding at the end the following new sentence: “The amounts payable from the Highway Trust Fund under the preceding sentence shall be determined by taking into account only the portion of the taxes which are deposited into the Highway Trust Fund.”.

(4) Section 9503(e)(5)(A) is amended by striking “(2), (3), and (4)” and inserting “(2) and (3)”.

(5) Section 9504(a) is amended by striking “section 9503(c)(4), section 9503(c)(5)” and inserting “section 9503(c)(3), section 9503(c)(4)”.
(6) Section 9504(b)(2) is amended by striking “section 9503(c)(5)” and inserting “section 9503(c)(4)”.

(7) Section 9504(e) is amended by striking “section 9503(c)(4)” and inserting section “9503(c)(3)”.

e) EFFECTIVE DATE.—The amendment made by this section shall apply to transfers relating to amounts paid and credits allowed after the date of the enactment of this Act.

SEC. 445. EXTENSION OF AUTHORITY FOR EXPENDITURES.

(a) HIGHWAYS TRUST FUND.—

(1) HIGHWAY ACCOUNT.—Paragraph (1) of section 9503(c) is amended—

(A) by striking “September 30, 2009 (October 1, 2009” and inserting “December 31, 2010 (January 1, 2011”); and

(B) by striking “under” and all that follows and inserting “under the Surface Transportation Extension Act of 2010 or any other provision of law which was referred to in this paragraph before the date of the enactment of such Act (as such Act and provisions of law are in effect on the date of the enactment of such Act).”.
(2) Mass transit account.—Paragraph (3) of section 9503(e) is amended—

(A) by striking “October 1, 2009” and inserting “January 1, 2011”; and

(B) by striking “in accordance with” and all that follows and inserting “in accordance with the Surface Transportation Extension Act of 2010 or any other provision of law which was referred to in this paragraph before the date of the enactment of such Act (as such Act and provisions of law are in effect on the date of the enactment of such Act).”.

(3) Exception to limitation on transfers.—Subparagraph (B) of section 9503(b)(6) is amended by striking “September 30, 2009 (October 1, 2009)” and inserting “December 31, 2010 (January 1, 2011)”.

(b) Sport Fish Restoration and Boating Trust Fund.—

(1) In general.—Paragraph (2) of section 9504(b) is amended—

(A) by striking “(as in effect” in subparagraph (A) and all that follows in such subparagraph and inserting “(as in effect on the date
of the enactment of the Surface Transportation Extension Act of 2010),”;

(B) by striking “(as in effect” in subparagraph (B) and all that follows in such subparagraph and inserting “(as in effect on the date of the enactment of the Surface Transportation Extension Act of 2010), and”;

(C) by striking “(as in effect” in subparagraph (C) and all that follows in such subparagraph and inserting “(as in effect on the date of the enactment of the Surface Transportation Extension Act of 2010).”.

(2) Exception to Limitation on Transfers.—Paragraph (2) of section 9504(d) is amended by striking “October 1, 2009” and inserting “January 1, 2011”.

(c) Effective Date.—The amendments made by this section shall take effect on September 30, 2009.

SEC. 446. LEVEL OF OBLIGATION LIMITATIONS.

(a) Highway Category.—Section 8003(a) of the SAFETEA–LU (2 U.S.C. 901 note; 119 Stat. 1917) is amended—

(1) in paragraph (4), by striking “and” at the end;
(2) in paragraph (5), by striking the period at the end and inserting “; and”; and

(3) by adding at the end the following:

“(6) for the period beginning on October 1, 2009, and ending on September 30, 2010, $42,469,970,178.

“(7) for the period beginning on October 1, 2010, and ending on December 31, 2010, $10,617,492,545.”.

(b) MASS TRANSIT CATEGORY.—Section 8003(b) of the SAFETEA–LU (2 U.S.C. 901 note; 119 Stat. 1917) is amended—

(1) in paragraph (4), by striking “and” at the end;

(2) in paragraph (5), by striking the period at the end and inserting “; and”; and

(3) by adding at the end the following:

“(6) for the period beginning on October 1, 2009, and ending on December 31, 2010, $10,338,065,000.

“(7) for the period beginning on October 1, 2010, and ending on December 31, 2010, $2,584,516,250.”.
(c) TREATMENT OF FUNDS.—No adjustment pursuant to section 110 of title 23, United States Code, shall be made for fiscal year 2010 or fiscal year 2011.

TITLE V—EXTENSION OF EXPIRING PROVISIONS
Subtitle A—Energy

SEC. 501. ALTERNATIVE MOTOR VEHICLE CREDIT FOR NEW QUALIFIED HYBRID MOTOR VEHICLES OTHER THAN PASSENGER AUTOMOBILES AND LIGHT TRUCKS.

(a) IN GENERAL.—Paragraph (3) of section 30B(k) is amended by striking “December 31, 2009” and inserting “December 31, 2010”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to property purchased after December 31, 2009.

SEC. 502. INCENTIVES FOR BIODIESEL AND RENEWABLE DIESEL.

(a) CREDITS FOR BIODIESEL AND RENEWABLE DIESEL USED AS FUEL.—Subsection (g) of section 40A is amended by striking “December 31, 2009” and inserting “December 31, 2010”.

(b) EXCISE TAX CREDITS AND OUTLAY PAYMENTS FOR BIODIESEL AND RENEWABLE DIESEL FUEL MIXTURES.—
(1) Paragraph (6) of section 6426(c) is amended by striking “December 31, 2009” and inserting “December 31, 2010”.

(2) Subparagraph (B) of section 6427(e)(5) is amended by striking “December 31, 2009” and inserting “December 31, 2010”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to fuel sold or used after December 31, 2009.

SEC. 503. CREDIT FOR ELECTRICITY PRODUCED AT CERTAIN OPEN-LOOP BIOMASS FACILITIES.

(a) IN GENERAL.—Clause (ii) of section 45(b)(4)(B) is amended by striking “5-year period” and inserting “6-year period”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to electricity produced and sold after December 31, 2009.

SEC. 504. CREDIT FOR REFINED COAL FACILITIES.

(a) IN GENERAL.—Subparagraphs (A) and (B) of section 45(d)(8) are each amended by striking “January 1, 2010” and inserting “January 1, 2011”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to facilities placed in service after December 31, 2009.
SEC. 505. CREDIT FOR PRODUCTION OF LOW SULFUR DIESEL FUEL.

(a) APPLICABLE PERIOD.—Paragraph (4) of section 45H(c) is amended by striking “December 31, 2009” and inserting “December 31, 2010”.

(b) EFFECTIVE DATE.—The amendment made by this section shall take effect as if included in section 339 of the American Jobs Creation Act of 2004.

SEC. 506. CREDIT FOR PRODUCING FUEL FROM COKE OR COKE GAS.

(a) IN GENERAL.—Paragraph (1) of section 45K(g) is amended by striking “January 1, 2010” and inserting “January 1, 2011”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to facilities placed in service after December 31, 2009.

SEC. 507. NEW ENERGY EFFICIENT HOME CREDIT.

(a) IN GENERAL.—Subsection (g) of section 45L is amended by striking “December 31, 2009” and inserting “December 31, 2010”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to homes acquired after December 31, 2009.
SEC. 508. EXCISE TAX CREDITS AND OUTLAY PAYMENTS FOR ALTERNATIVE FUEL AND ALTERNATIVE FUEL MIXTURES.

(a) In General.—Sections 6426(d)(5), 6426(e)(3), and 6427(e)(6)(C) are each amended by striking “December 31, 2009” and inserting “December 31, 2010”.

(b) Effective Date.—The amendments made by this section shall apply to fuel sold or used after December 31, 2009.

SEC. 509. SPECIAL RULE FOR SALES OR DISPOSITIONS TO IMPLEMENT FERC OR STATE ELECTRIC RESTRUCTURING POLICY FOR QUALIFIED ELECTRIC UTILITIES.

(a) In General.—Paragraph (3) of section 451(i) is amended by striking “January 1, 2010” and inserting “January 1, 2011”.

(b) Effective Date.—The amendment made by this section shall apply to transactions after December 31, 2009.

SEC. 510. SUSPENSION OF LIMITATION ON PERCENTAGE DEPLETION FOR OIL AND GAS FROM MARGINAL WELLS.

(a) In General.—Clause (ii) of section 613A(c)(6)(H) is amended by striking “January 1, 2010” and inserting “January 1, 2011”.

(b) Effective Date.—The amendment made by this section shall apply to taxable years beginning after December 31, 2009.

Subtitle B—Individual Tax Relief

PART I—MISCELLANEOUS PROVISIONS

SEC. 511. 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 2009” and inserting “2009, or 2010”.

(b) Effective Date.—The amendment made by this section shall apply to taxable years beginning after December 31, 2009.

SEC. 512. ADDITIONAL STANDARD DEDUCTION FOR STATE AND LOCAL REAL PROPERTY TAXES.

(a) In General.—Subparagraph (C) of section 63(c)(1) is amended by striking “or 2009” and inserting “2009, or 2010”.

(b) Effective Date.—The amendment made by this section shall apply to taxable years beginning after December 31, 2009.
SEC. 513. DEDUCTION OF STATE AND LOCAL SALES TAXES.

(a) In General.—Subparagraph (I) of section 164(b)(5) is amended by striking “January 1, 2010” and inserting “January 1, 2011”.

(b) Effective Date.—The amendment made by this section shall apply to taxable years beginning after December 31, 2009.

SEC. 514. CONTRIBUTIONS OF CAPITAL GAIN REAL PROPERTY MADE FOR CONSERVATION PURPOSES.

(a) In General.—Clause (vi) of section 170(b)(1)(E) is amended by striking “December 31, 2009” and inserting “December 31, 2010”.

(b) Contributions by Certain Corporate Farmers and Ranchers.—Clause (iii) of section 170(b)(2)(B) is amended by striking “December 31, 2009” and inserting “December 31, 2010”.

(c) Effective Date.—The amendments made by this section shall apply to contributions made in taxable years beginning after December 31, 2009.

SEC. 515. ABOVE-THE-LINE DEDUCTION FOR QUALIFIED TUITION AND RELATED EXPENSES.

(a) In General.—Subsection (e) of section 222 is amended by striking “December 31, 2009” and inserting “December 31, 2010”.
(b) Effective Date.—The amendment made by this section shall apply to taxable years beginning after December 31, 2009.

SEC. 516. 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, 2009” and inserting “December 31, 2010”.

(b) Effective Date.—The amendment made by this section shall apply to distributions made in taxable years beginning after December 31, 2009.

SEC. 517. LOOK-THRU OF CERTAIN REGULATED INVESTMENT COMPANY STOCK IN DETERMINING GROSS ESTATE OF NONRESIDENTS.

(a) In General.—Paragraph (3) of section 2105(d) is amended by striking “December 31, 2009” and inserting “December 31, 2010”.

(b) Effective Date.—The amendment made by this section shall apply to estates of decedents dying after December 31, 2009.
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PART II—LOW-INCOME HOUSING CREDITS

SEC. 521. ELECTION FOR REFUNDABLE LOW-INCOME HOUSING CREDIT FOR 2010.

(a) IN GENERAL.—Section 42 is amended by redesignating subsection (n) as subsection (o) and by inserting after subsection (m) the following new subsection:

“(n) ELECTION FOR REFUNDABLE CREDITS.—

“(1) IN GENERAL.—The housing credit agency of each State shall be allowed a credit in an amount equal to such State’s 2010 low-income housing refundable credit election amount, which shall be payable by the Secretary as provided in paragraph (5).

“(2) 2010 LOW-INCOME HOUSING REFUNDABLE CREDIT ELECTION AMOUNT.—For purposes of this subsection, the term ‘2010 low-income housing refundable credit election amount’ means, with respect to any State, such amount as the State may elect which does not exceed 85 percent of the product of—

“(A) the sum of—

“(i) 100 percent of the State housing credit ceiling for 2010 which is attributable to amounts described in clauses (i) and (iii) of subsection (h)(3)(C), and

“(ii) 40 percent of the State housing credit ceiling for 2010 which is attrib-
utable to amounts described in clauses (ii) and (iv) of such subsection, multiplied by "(B) 10.

“(3) Coordination with non-refundable credit.—For purposes of this section, the amounts described in clauses (i) through (iv) of subsection (h)(3)(C) with respect to any State for 2010 shall each be reduced by so much of such amount as is taken into account in determining the amount of the credit allowed with respect to such State under paragraph (1).

“(4) Special rule for basis.—Basis of a qualified low-income building shall not be reduced by the amount of any payment made under this subsection.

“(5) Payment of credit; use to finance low-income buildings.—The Secretary shall pay to the housing credit agency of each State an amount equal to the credit allowed under paragraph (1). Rules similar to the rules of subsections (e) and (d) of section 1602 of the American Recovery and Reinvestment Tax Act of 2009 shall apply with respect to any payment made under this paragraph, except that such subsection (d) shall be applied by
substituting ‘January 1, 2012’ for ‘January 1, 2011’.”.

(b) CONFORMING AMENDMENT.—Section 1324(b)(2) of title 31, United States Code, is amended by inserting “42(n),” after “36A,.”.

Subtitle C—Business Tax Relief

SEC. 531. RESEARCH CREDIT.

(a) IN GENERAL.—Subparagraph (B) of section 41(h)(1) is amended by striking “December 31, 2009” and inserting “December 31, 2010”.

(b) CONFORMING AMENDMENT.—Subparagraph (D) of section 45C(b)(1) is amended by striking “December 31, 2009” and inserting “December 31, 2010”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts paid or incurred after December 31, 2009.

SEC. 532. INDIAN EMPLOYMENT TAX CREDIT.

(a) IN GENERAL.—Subsection (f) of section 45A is amended by striking “December 31, 2009” and inserting “December 31, 2010”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2009.
SEC. 533. NEW MARKETS TAX CREDIT.

(a) In General.—Subparagraph (F) of section 45D(f)(1) is amended by inserting “and 2010” after “2009”.

(b) Conforming Amendment.—Paragraph (3) of section 45D(f) is amended by striking “2014” and inserting “2015”.

(c) Effective Date.—The amendments made by this section shall apply to calendar years beginning after 2009.

SEC. 534. RAILROAD TRACK MAINTENANCE CREDIT.

(a) In General.—Subsection (f) of section 45G is amended by striking “January 1, 2010” and inserting “January 1, 2011”.

(b) Effective Date.—The amendment made by this section shall apply to expenditures paid or incurred in taxable years beginning after December 31, 2009.

SEC. 535. MINE RESCUE TEAM TRAINING CREDIT.

(a) In General.—Subsection (e) of section 45N is amended by striking “December 31, 2009” and inserting “December 31, 2010”.

(b) Effective Date.—The amendment made by this section shall apply to taxable years beginning after December 31, 2009.
SEC. 536. EMPLOYER WAGE CREDIT FOR EMPLOYEES WHO ARE ACTIVE DUTY MEMBERS OF THE UNIFORMED SERVICES.

(a) In General.—Subsection (f) of section 45P is amended by striking “December 31, 2009” and inserting “December 31, 2010”.

(b) Effective Date.—The amendment made by this section shall apply to payments made after December 31, 2009.

SEC. 537. 5-YEAR DEPRECIATION FOR FARMING BUSINESS MACHINERY AND EQUIPMENT.

(a) In General.—Clause (vii) of section 168(e)(3)(B) is amended by striking “January 1, 2010” and inserting “January 1, 2011”.

(b) Effective Date.—The amendment made by this section shall apply to property placed in service after December 31, 2009.

SEC. 538. 15-YEAR STRAIGHT-LINE COST RECOVERY FOR QUALIFIED LEASEHOLD IMPROVEMENTS, QUALIFIED RESTAURANT BUILDINGS AND IMPROVEMENTS, AND QUALIFIED RETAIL IMPROVEMENTS.

(a) In General.—Clauses (iv), (v), and (ix) of section 168(e)(3)(E) are each amended by striking “January 1, 2010” and inserting “January 1, 2011”.

(b) Conforming Amendments.—
(1) Clause (i) of section 168(e)(7)(A) is amended by striking “if such building is placed in service after December 31, 2008, and before January 1, 2010,”.

(2) Paragraph (8) of section 168(e) is amended by striking subparagraph (E).

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to property placed in service after December 31, 2009.

SEC. 539. 7-YEAR RECOVERY PERIOD FOR MOTORSPORTS ENTERTAINMENT COMPLEXES.

(a) In General.—Subparagraph (D) of section 168(i)(15) is amended by striking “December 31, 2009” and inserting “December 31, 2010”.

(b) Effective Date.—The amendment made by this section shall apply to property placed in service after December 31, 2009.

SEC. 540. ACCELERATED DEPRECIATION FOR BUSINESS PROPERTY ON AN INDIAN RESERVATION.

(a) In General.—Paragraph (8) of section 168(j) is amended by striking “December 31, 2009” and inserting “December 31, 2010”.

(b) Effective Date.—The amendment made by this section shall apply to property placed in service after December 31, 2009.
SEC. 541. ENHANCED CHARITABLE DEDUCTION FOR CONTRIBUTIONS OF FOOD INVENTORY.

(a) In General.—Clause (iv) of section 170(e)(3)(C) is amended by striking “December 31, 2009” and inserting “December 31, 2010”.

(b) Effective Date.—The amendment made by this section shall apply to contributions made after December 31, 2009.

SEC. 542. ENHANCED CHARITABLE DEDUCTION FOR CONTRIBUTIONS OF BOOK INVENTORIES TO PUBLIC SCHOOLS.

(a) In General.—Clause (iv) of section 170(e)(3)(D) is amended by striking “December 31, 2009” and inserting “December 31, 2010”.

(b) Effective Date.—The amendment made by this section shall apply to contributions made after December 31, 2009.

SEC. 543. ENHANCED CHARITABLE DEDUCTION FOR CORPORATE CONTRIBUTIONS OF COMPUTER INVENTORY FOR EDUCATIONAL PURPOSES.

(a) In General.—Subparagraph (G) of section 170(e)(6) is amended by striking “December 31, 2009” and inserting “December 31, 2010”.

(b) Effective Date.—The amendment made by this section shall apply to contributions made in taxable years beginning after December 31, 2009.
SEC. 544. ELECTION TO EXPENSE MINE SAFETY EQUIPMENT.

(a) In General.—Subsection (g) of section 179E is amended by striking “December 31, 2009” and inserting “December 31, 2010”.

(b) Effective Date.—The amendment made by this section shall apply to property placed in service after December 31, 2009.

SEC. 545. SPECIAL EXPENSING RULES FOR CERTAIN FILM AND TELEVISION PRODUCTIONS.

(a) In General.—Subsection (f) of section 181 is amended by striking “December 31, 2009” and inserting “December 31, 2010”.

(b) Effective Date.—The amendment made by this section shall apply to productions commencing after December 31, 2009.

SEC. 546. EXPENSING OF ENVIRONMENTAL REMEDIATION COSTS.

(a) In General.—Subsection (h) of section 198 is amended by striking “December 31, 2009” and inserting “December 31, 2010”.

(b) Effective Date.—The amendment made by this section shall apply to expenditures paid or incurred after December 31, 2009.
SEC. 547. 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 4 taxable years” and inserting “first 5 taxable years”, and

(2) by striking “January 1, 2010” and inserting “January 1, 2011”.

(b) Effective Date.—The amendments made by this section shall apply to taxable years beginning after December 31, 2009.

SEC. 548. 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, 2009” and inserting “December 31, 2010”.

(b) Effective Date.—The amendment made by this section shall apply to payments received or accrued after December 31, 2009.
SEC. 549. EXCLUSION OF GAIN OR LOSS ON SALE OR EXCHANGE OF CERTAIN BROWNFIELD SITES FROM UNRELATED BUSINESS INCOME.

(a) In General.—Subparagraph (K) of section 512(b)(19) is amended by striking “December 31, 2009” and inserting “December 31, 2010”.

(b) Effective Date.—The amendment made by this section shall apply to property acquired after December 31, 2009.

SEC. 550. TIMBER REIT MODERNIZATION.

(a) In General.—Paragraph (8) of section 856(c) is amended by striking “means” and all that follows and inserting “means December 31, 2010.”.

(b) Conforming Amendments.—

(1) Subparagraph (I) of section 856(c)(2) is amended by striking “the first taxable year beginning after the date of the enactment of this subparagraph” and inserting “in a taxable year beginning before the termination date”.

(2) Clause (iii) of section 856(c)(5)(H) is amended by inserting “in taxable years beginning” after “dispositions”.

(3) Clause (v) of section 857(b)(6)(D) is amended by inserting “in a taxable year beginning” after “sale”.

(4) Subparagraph (G) of section 857(b)(6) is amended by inserting “in a taxable year beginning” after “In the case of a sale”.

(c) Effective Date.—The amendments made by this section shall apply to taxable years ending after May 22, 2009.

SEC. 551. TREATMENT OF CERTAIN DIVIDENDS AND ASSETS OF REGULATED INVESTMENT COMPANIES.

(a) In General.—Paragraphs (1)(C) and (2)(C) of section 871(k) are each amended by striking “December 31, 2009” and inserting “December 31, 2010”.

(b) Effective Date.—The amendments made by this section shall apply to taxable years beginning after December 31, 2009.

SEC. 552. RIC QUALIFIED INVESTMENT ENTITY TREATMENT UNDER FIRPTA.

(a) In General.—Clause (ii) of section 897(h)(4)(A) is amended by striking “December 31, 2009” and inserting “December 31, 2010”.

(b) Effective Date.—

(1) In General.—The amendment made by subsection (a) shall take effect on January 1, 2010. Notwithstanding the preceding sentence, such amendment shall not apply with respect to the withholding requirement under section 1445 of the Inter-
nal Revenue Code of 1986 for any payment made before the date of the enactment of this Act.

(2) Amounts withheld on or before date of enactment.—In the case of a regulated investment company—

(A) which makes a distribution after December 31, 2009, and before the date of the enactment of this Act, and

(B) which would (but for the second sentence of paragraph (1)) have been required to withhold with respect to such distribution under section 1445 of such Code,

such investment company shall not be liable to any person to whom such distribution was made for any amount so withheld and paid over to the Secretary of the Treasury.

SEC. 553. EXCEPTIONS FOR ACTIVE FINANCING INCOME.

(a) In general.—Sections 953(e)(10) and 954(h)(9) are each amended by striking “January 1, 2010” and inserting “January 1, 2011”.

(b) Conforming amendment.—Section 953(e)(10) is amended by striking “December 31, 2009” and inserting “December 31, 2010”.

(c) Effective date.—The amendments made by this section shall apply to taxable years of foreign corpora-
tions beginning after December 31, 2009, and to taxable years of United States shareholders with or within which any such taxable year of such foreign corporation ends.

SEC. 554. LOOK-THRU TREATMENT OF PAYMENTS BETWEEN RELATED CONTROLLED FOREIGN CORPORATIONS UNDER FOREIGN PERSONAL HOLDING COMPANY RULES.

(a) In General.—Subparagraph (C) of section 954(e)(6) is amended by striking “January 1, 2010” and inserting “January 1, 2011”.

(b) Effective Date.—The amendment made by this section shall apply to taxable years of foreign corporations beginning after December 31, 2009, and to taxable years of United States shareholders with or within which any such taxable year of such foreign corporation ends.

SEC. 555. TEMPORARY REDUCTION IN CORPORATE RATE FOR QUALIFIED TIMBER GAIN.

(a) In General.—Paragraph (1) of section 1201(b) is amended by striking “ending” and all that follows through “such date”.

(b) Conforming Amendment.—Paragraph (3) of section 1201(b) is amended to read as follows:

“(3) Application of subsection.—The qualified timber gain for any taxable year shall not
exceed the qualified timber gain which would be determined by not taking into account—

“(A) any portion of such taxable year after May 22, 2009, and before the date of the enactment of the Hiring Incentives to Restore Employment Act, and

“(B) any portion of such taxable year after December 31, 2010.”.

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

SEC. 556. BASIS ADJUSTMENT TO STOCK OF S CORPS MAKING CHARITABLE CONTRIBUTIONS OF PROPERTY.

(a) In General.—Paragraph (2) of section 1367(a) is amended by striking “December 31, 2009” and inserting “December 31, 2010”.

(b) Effective Date.—The amendment made by this section shall apply to contributions made in taxable years beginning after December 31, 2009.

SEC. 557. EMPOWERMENT ZONE TAX INCENTIVES.

(a) In General.—Section 1391 is amended—

(1) by striking “December 31, 2009” in subsection (d)(1)(A)(i) and inserting “December 31, 2010”, and
(2) by striking the last sentence of subsection (h)(2).

(b) Increased Exclusion of Gain on Stock of Empowerment Zone Businesses.—Subparagraph (C) of section 1202(a)(2) is amended—

(1) by striking “December 31, 2014” and inserting “December 31, 2015”, and

(2) by striking “2014” in the heading and inserting “2015”.

(c) Treatment of Certain Termination Dates Specified in Nominations.—In the case of a designation of an empowerment zone the nomination for which included a termination date which is contemporaneous with the date specified in subparagraph (A)(i) of section 1391(d)(1) of the Internal Revenue Code of 1986 (as in effect before the enactment of this Act), subparagraph (B) of such section shall not apply with respect to such designation unless, after the date of the enactment of this section, the entity which made such nomination reconfirms such termination date, or amends the nomination to provide for a new termination date, in such manner as the Secretary of the Treasury (or the Secretary’s designee) may provide.
(d) Effective Date.—The amendments made by this section shall apply to periods after December 31, 2009.

SEC. 558. TAX INCENTIVES FOR INVESTMENT IN THE DISTRICT OF COLUMBIA.

(a) In General.—Subsection (f) of section 1400 is amended by striking “December 31, 2009” each place it appears and inserting “December 31, 2010”.

(b) Tax-exempt DC Empowerment Zone Bonds.—Subsection (b) of section 1400A is amended by striking “December 31, 2009” and inserting “December 31, 2010”.

(c) Zero-percent Capital Gains Rate.—

(1) Acquisition Date.—Paragraphs (2)(A)(i), (3)(A), (4)(A)(i), and (4)(B)(i)(I) of section 1400B(b) are each amended by striking “January 1, 2010” and inserting “January 1, 2011”.

(2) Limitation on Period of Gains.—

(A) In General.—Paragraph (2) of section 1400B(e) is amended—

(i) by striking “December 31, 2014” and inserting “December 31, 2015”, and

(ii) by striking “2014” in the heading and inserting “2015”.

...
(B) Partnerships and S-corps.—Paragraph (2) of section 1400B(g) is amended by striking “December 31, 2014” and inserting “December 31, 2015”.

(d) First-time Homebuyer Credit.—Subsection (i) of section 1400C is amended by striking “January 1, 2010” and inserting “January 1, 2011”.

(e) Effective Dates.—

(1) In general.—Except as otherwise provided in this subsection, the amendments made by this section shall apply to periods after December 31, 2009.

(2) Tax-exempt DC empowerment zone bonds.—The amendment made by subsection (b) shall apply to bonds issued after December 31, 2009.

(3) Acquisition dates for zero-percent capital gains rate.—The amendments made by subsection (c) shall apply to property acquired or substantially improved after December 31, 2009.

(4) Homebuyer credit.—The amendment made by subsection (d) shall apply to homes purchased after December 31, 2009.
SEC. 559. RENEWAL COMMUNITY TAX INCENTIVES.

(a) In General.—Subsection (b) of section 1400E is amended—

(1) by striking “December 31, 2009” in paragraphs (1)(A) and (3) and inserting “December 31, 2010”, and

(2) by striking “January 1, 2010” in paragraph (3) and inserting “January 1, 2011”.

(b) Zero-Percent Capital Gains Rate.—

(1) Acquisition Date.—Paragraphs (2)(A)(i), (3)(A), (4)(A)(i), and (4)(B)(i) of section 1400F(b) are each amended by striking “January 1, 2010” and inserting “January 1, 2011”.

(2) Limitation on Period of Gains.—Paragraph (2) of section 1400F(c) is amended—

(A) by striking “December 31, 2014” and inserting “December 31, 2015”, and

(B) by striking “2014” in the heading and inserting “2015”.

(3) Clerical Amendment.—Subsection (d) of section 1400F is amended by striking “and ‘December 31, 2014’ for ‘December 31, 2014’”.

(c) Commercial Revitalization Deduction.—

(1) In General.—Subsection (g) of section 1400I is amended by striking “December 31, 2009” and inserting “December 31, 2010”.

(2) Conforming Amendment.—Subparagraph (A) of section 1400I(d)(2) is amended by striking “after 2001 and before 2010” and inserting “which begins after 2001 and before the date referred to in subsection (g)”.

(d) Increased Expensing Under Section 179.—Subparagraph (A) of section 1400J(b)(1) is amended by striking “January 1, 2010” and inserting “January 1, 2011”.

(e) Treatment of Certain Termination Dates Specified in Nominations.—In the case of a designation of a renewal community the nomination for which included a termination date which is contemporaneous with the date specified in subparagraph (A) of section 1400E(b)(1) of the Internal Revenue Code of 1986 (as in effect before the enactment of this Act), subparagraph (B) of such section shall not apply with respect to such designation unless, after the date of the enactment of this section, the entity which made such nomination reconfirms such termination date, or amends the nomination to provide for a new termination date, in such manner as the Secretary of the Treasury (or the Secretary’s designee) may provide.

(f) Effective Dates.—
(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this section shall apply to periods after December 31, 2009.

(2) ACQUISITIONS.—The amendments made by subsections (b)(1) and (d) shall apply to acquisitions after December 31, 2009.

(3) COMMERCIAL REVITALIZATION DEDUCTION.—

(A) IN GENERAL.—The amendment made by subsection (c)(1) shall apply to buildings placed in service after December 31, 2009.

(B) CONFORMING AMENDMENT.—The amendment made by subsection (c)(2) shall apply to calendar years beginning after December 31, 2009.

SEC. 560. TEMPORARY INCREASE IN LIMIT ON COVER OVER OF RUM EXCISE TAXES TO PUERTO RICO AND THE VIRGIN ISLANDS.

(a) IN GENERAL.—Paragraph (1) of section 7652(f) is amended by striking “January 1, 2010” and inserting “January 1, 2011”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to distilled spirits brought into the United States after December 31, 2009.
SEC. 561. AMERICAN SAMOA ECONOMIC DEVELOPMENT CREDIT.

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

(1) by striking “first 4 taxable years” and inserting “first 5 taxable years”, and

(2) by striking “January 1, 2010” and inserting “January 1, 2011”.

(b) Effective Date.—The amendments made by this section shall apply to taxable years beginning after December 31, 2009.

Subtitle D—Temporary Disaster Relief Provisions

PART I—NATIONAL DISASTER RELIEF

SEC. 571. WAIVER OF CERTAIN MORTGAGE REVENUE BOND REQUIREMENTS.

(a) In General.—Paragraph (11) of section 143(k) is amended by striking “January 1, 2010” and inserting “January 1, 2011”.

(b) Special Rule for Residences Destroyed in Federally Declared Disasters.—Paragraph (13) of section 143(k), as redesignated by subsection (c), is amended by striking “January 1, 2010” in subparagraphs (A)(i) and (B)(i) and inserting “January 1, 2011”.
(c) Technical Amendment.—Subsection (k) of section 143 is amended by redesignating the second paragraph (12) (relating to special rules for residences destroyed in federally declared disasters) as paragraph (13).

(d) Effective Dates.—

(1) In general.—Except as otherwise provided in this subsection, the amendment made by this section shall apply to bonds issued after December 31, 2009.

(2) Residences destroyed in federally declared disasters.—The amendments made by subsection (b) shall apply with respect to disasters occurring after December 31, 2009.

(3) Technical Amendment.—The amendment made by subsection (c) shall take effect as if included in section 709 of the Tax Extenders and Alternative Minimum Tax Relief Act of 2008.

SEC. 572. LOSSES ATTRIBUTABLE TO FEDERALLY DECLARED DISASTERS.

(a) In General.—Subclause (I) of section 165(h)(3)(B)(i) is amended by striking “January 1, 2010” and inserting “January 1, 2011”.

(b) $500 Limitation.—Paragraph (1) of section 165(h) is amended by striking “December 31, 2009” and inserting “December 31, 2010”.
(c) **Effective Date.**—

(1) **In General.**—The amendment made by subsection (a) shall apply to federally declared disasters occurring after December 31, 2009.

(2) **$500 Limitation.**—The amendment made by subsection (b) shall apply to taxable years beginning after December 31, 2009.

SEC. 573. SPECIAL DEPRECIATION ALLOWANCE FOR QUALIFIED DISASTER PROPERTY.

(a) **In General.**—Subclause (I) of section 168(n)(2)(A)(ii) is amended by striking “January 1, 2010” and inserting “January 1, 2011”.

(b) **Effective Date.**—The amendment made by this section shall apply to disasters occurring after December 31, 2009.

SEC. 574. NET OPERATING LOSSES ATTRIBUTABLE TO FEDERALLY DECLARED DISASTERS.

(a) **In General.**—Subclause (I) of section 172(j)(1)(A)(i) is amended by striking “January 1, 2010” and inserting “January 1, 2011”.

(b) **Effective Date.**—The amendment made by this section shall apply to losses attributable to disasters occurring after December 31, 2009.
SEC. 575. EXPENSING OF QUALIFIED DISASTER EXPENSES.

(a) In General.—Subparagraph (A) of section 198A(b)(2) is amended by striking “January 1, 2010” and inserting “January 1, 2011”.

(b) Effective Date.—The amendment made by this section shall apply to expenditures on account of disasters occurring after December 31, 2009.

PART II—REGIONAL PROVISIONS

Subpart A—New York Liberty Zone

SEC. 581. SPECIAL DEPRECIATION ALLOWANCE FOR NON-RESIDENTIAL AND RESIDENTIAL REAL PROPERTY.

(a) In General.—Subparagraph (A) of section 1400L(b)(2) is amended by striking “December 31, 2009” and inserting “December 31, 2010”.

(b) Effective Date.—The amendment made by this section shall apply to property placed in service after December 31, 2009.

SEC. 582. TAX-EXEMPT BOND FINANCING.

(a) In General.—Subparagraph (D) of section 1400L(d)(2) is amended by striking “January 1, 2010” and inserting “January 1, 2011”.

(b) Effective Date.—The amendment made by this section shall apply to bonds issued after December 31, 2009.
Subpart B—GO Zone

SEC. 583. SPECIAL DEPRECIATION ALLOWANCE.

(a) In General.—Paragraph (6) of section 1400N(d)(6) is amended by striking subparagraph (D).

(b) Effective Date.—The amendment made by this section shall apply to property placed in service after December 31, 2009.

SEC. 584. INCREASE IN REHABILITATION CREDIT.

(a) In General.—Subsection (h) of section 1400N is amended by striking “December 31, 2009” and inserting “December 31, 2010”.

(b) Effective Date.—The amendment made by this section shall apply to amounts paid or incurred after December 31, 2009.

Subpart C—Midwestern Disaster Areas

SEC. 585. SPECIAL RULES FOR USE OF RETIREMENT FUNDS.

(a) In General.—Section 702(d)(10) of the Heartland Disaster Tax Relief Act of 2008 (Public Law 110-343; 122 Stat. 3918) is amended—

(1) by striking “January 1, 2010” both places it appears and inserting “January 1, 2011”, and

(2) by striking “December 31, 2009” both places it appears and inserting “December 31, 2010”.
(b) EFFECTIVE DATE.—The amendments made by this section shall take effect as if included in section 702(d)(10) of the Heartland Disaster Tax Relief Act of 2008.

SEC. 586. EXCLUSION OF CANCELLATION OF MORTGAGE INDEBTEDNESS.

(a) IN GENERAL.—Section 702(e)(4)(C) of the Heartland Disaster Tax Relief Act of 2008 (Public Law 110-343; 122 Stat. 3918) is amended by striking “January 1, 2010” and inserting “January 1, 2011”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to discharges of indebtedness after December 31, 2009.

TITLE VI—UNEMPLOYMENT INSURANCE, HEALTH, AND OTHER PROVISIONS

Subtitle A—Unemployment Insurance

SEC. 601. EXTENSION OF UNEMPLOYMENT INSURANCE PROVISIONS.

(a) IN GENERAL.—(1) Section 4007 of the Supplemental Appropriations Act, 2008 (Public Law 110–252; 26 U.S.C. 3304 note) is amended—

(A) by striking “February 28, 2010” each place it appears and inserting “May 31, 2010”;
(B) in the heading for subsection (b)(2), by striking “February 28, 2010” and inserting “May, 31 2010”; and

(C) in subsection (b)(3), by striking “July 31, 2010” and inserting “November 1, 2010”.

(2) Section 2002(c) of the Assistance for Unemployed Workers and Struggling Families Act, as contained in Public Law 111–5 (26 U.S.C. 3304 note; 123 Stat. 438), is amended—

(A) in paragraph (1)(B), by striking “February 28, 2010” and inserting “May 31, 2010”; and

(B) in the heading for paragraph (2), by striking “February 28, 2010” and inserting “May 31, 2010”; and

(C) in paragraph (3), by striking “August 31, 2010” and inserting “November 30, 2010”.

(3) Section 2005 of the Assistance for Unemployed Workers and Struggling Families Act, as contained in Public Law 111–5 (26 U.S.C. 3304 note; 123 Stat. 444), is amended—

(A) by striking “February 28, 2010” each place it appears and inserting “May 31, 2010”; and

(B) in subsection (e), by striking “July 31, 2010” and inserting “November 1, 2010”.
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(4) Section 5 of the Unemployment Compensation Extension Act of 2008 (Public Law 110–449; 26 U.S.C. 3304 note) is amended by striking “July 31, 2010” and inserting “November 1, 2010”.

(b) FUNDING.—Section 4004(e)(1) of the Supplemental Appropriations Act, 2008 (Public Law 110–252; 26 U.S.C. 3304 note) is amended—

(1) in subparagraph (B), by striking “and” at the end;

(2) in subparagraph (C), by striking “1009” and inserting “1009(a)(1)”; and

(3) by inserting after subparagraph (C) the following new subparagraph:

“(D) the amendments made by section 601(a)(1) of the Hiring Incentives to Restore Employment Act; and”.

Subtitle B—Health Provisions

SEC. 611. EXTENSION AND IMPROVEMENT OF PREMIUM ASSISTANCE FOR COBRA BENEFITS.

(b) Clarifications Relating to Section 3001 of
ARRA.—

(1) Clarification regarding COBRA con-
tinuation resulting from reductions in
hours.—Subsection (a) of section 3001 of division
B of the American Recovery and Reinvestment Act
of 2009 (Public Law 111–5) is amended—

(A) in paragraph (3)(C), by inserting be-
fore the period at the end the following: “or
consists of a reduction of hours followed by
such an involuntary termination of employment
during such period”;

(B) in paragraph (16)—

(i) by striking clause (ii) of subpara-
graph (A), and inserting the following:

“(ii) such individual pays, by the lat-
est of 60 days after the date of the enact-
ment of this paragraph, 30 days after the
date of provision of the notification re-
quired under subparagraph (D)(ii), or the
period described in section
4980B(f)(2)(B)(iii) of the Internal Rev-
ue Code of 1986, the amount of such
premium, after the application of para-
graph (1)(A).”; and
(ii) by striking subclause (I) of sub-
paragraph (C)(i), and inserting the fol-
lowing:

“(I) such assistance eligible indi-
vidual experienced an involuntary ter-
mination that was a qualifying event
prior to the date of enactment of the
Department of Defense Appropria-
tions Act, 2010; and”; and

(C) by adding at the end the following:

“(17) Special rules in case of individuals
losing coverage because of a reduction of
hours.—

“(A) New election period.—

“(i) In general.—For purposes of
the COBRA continuation provisions, in the
case of an individual described in subpara-
graph (C) who did not make (or who made
and discontinued) an election of COBRA
continuation coverage on the basis of the
reduction of hours of employment, the in-
voluntary termination of employment of
such individual after the date of the enact-
ment of the Hiring Incentives to Restore
Employment Act shall be treated as a qualifying event.

“(ii) Counting COBRA duration period from previous qualifying event.—In any case of an individual referred to in clause (i), the period of such individual’s continuation coverage shall be determined as though the qualifying event were the reduction of hours of employment.

“(iii) Construction.—Nothing in this paragraph shall be construed as requiring an individual referred to in clause (i) to make a payment for COBRA continuation coverage between the reduction of hours and the involuntary termination of employment.

“(iv) Preexisting conditions.—With respect to an individual referred to in clause (i) who elects COBRA continuation coverage pursuant to such clause, rules similar to the rules in paragraph (4)(C) shall apply.

“(B) Notices.—In the case of an individual described in subparagraph (C), the ad-
ministrator of the group health plan (or other entity) involved shall provide, during the 60-day period beginning on the date of such individual’s involuntary termination of employment, an additional notification described in paragraph (7)(A), including information on the provisions of this paragraph. Rules similar to the rules of paragraph (7) shall apply with respect to such notification.

“(C) INDIVIDUALS DESCRIBED.—Individuals described in this subparagraph are individuals who are assistance eligible individuals on the basis of a qualifying event consisting of a reduction of hours occurring during the period described in paragraph (3)(A) followed by an involuntary termination of employment insofar as such involuntary termination of employment occurred after the date of the enactment of the Hiring Incentives to Restore Employment Act.”.

(2) CLARIFICATION OF PERIOD OF ASSISTANCE.—Subsection (a)(2)(A)(ii)(I) of such section is amended by striking “of the first month”.

(3) ENFORCEMENT.—Subsection (a)(5) of such section is amended by adding at the end the fol-
lowing: “In addition to civil actions that may be
brought to enforce applicable provisions of such Act
or other laws, the appropriate Secretary or an af-
fected individual may bring a civil action to enforce
such determinations and for appropriate relief. In
addition, such Secretary may assess a penalty
against a plan sponsor or health insurance issuer of
not more than $110 per day for each failure to com-
ply with such determination of such Secretary after
10 days after the date of the plan sponsor’s or
issuer’s receipt of the determination.”.

(4) AMENDMENTS RELATING TO SECTION 3001
OF ARRA.—

(A) Subsection (g) of section 35 is amend-
ed by striking “section 3002(a) of the Health
Insurance Assistance for the Unemployed Act
of 2009” and inserting “section 3001(a) of title
III of division B of the American Recovery and
Reinvestment Act of 2009”.

(B) Section 139C is amended by striking
“section 3002 of the Health Insurance Assis-
tance for the Unemployed Act of 2009” and in-
serting “section 3001 of title III of division B
of the American Recovery and Reinvestment
Act of 2009”.
(C) Section 6432 is amended—

   (i) in subsection (a), by striking “section 3002(a) of the Health Insurance Assistance for the Unemployed Act of 2009” and inserting “section 3001(a) of title III of division B of the American Recovery and Reinvestment Act of 2009”;

   (ii) in subsection (c)(3), by striking “section 3002(a)(1)(A) of such Act” in subsection (c)(3) and inserting “section 3001(a)(1)(A) of title III of division B of the American Recovery and Reinvestment Act of 2009”; and

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

   “(e) EMPLOYER DETERMINATION OF QUALIFYING EVENT AS INVOLUNTARY TERMINATION.—For purposes of this section, in any case in which—

   “(1) based on a reasonable interpretation of section 3001(a)(3)(C) of division B of the American Recovery and Reinvestment Act of 2009 and administrative guidance thereunder, an employer determines that the qualifying event with respect to
COBRA continuation coverage for an individual was involuntary termination of a covered employee’s employment, and

“(2) the employer maintains supporting documentation of the determination, including an attestation by the employer of involuntary termination with respect to the covered employee,

the qualifying event for the individual shall be deemed to be involuntary termination of the covered employee’s employment.”.

(D) Subsection (a) of section 6720C is amended by striking “section 3002(a)(2)(C) of the Health Insurance Assistance for the Unemployed Act of 2009” and inserting “section 3001(a)(2)(C) of title III of division B of the American Recovery and Reinvestment Act of 2009”.

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect as if included in the provisions of section 3001 of division B of the American Recovery and Reinvestment Act of 2009 to which they relate, except that—

(1) the amendments made by subsections (b)(1) shall apply to periods of coverage beginning after the date of the enactment of this Act; and
(2) the amendments made by paragraphs (2) and (3) of subsection (b) shall take effect on the date of the enactment of this Act.

SEC. 612. INCREASE IN THE MEDICARE PHYSICIAN PAYMENT UPDATE.

Paragraph (10) of section 1848(d) of the Social Security Act, as added by section 1011(a) of the Department of Defense Appropriations Act, 2010 (Public Law 111–118), is amended—

(1) in subparagraph (A), by striking “February 28, 2010” and inserting “September 30, 2010”; and

(2) in subparagraph (B), by striking “March 1, 2010” and inserting “October 1, 2010”.

SEC. 613. EXTENSION OF THERAPY CAPS EXCEPTIONS PROCESS.

Section 1833(g)(5) of the Social Security Act (42 U.S.C. 1395l(g)(5)) is amended by striking “December 31, 2009” and inserting “December 31, 2010”.

SEC. 614. TREATMENT OF PHARMACIES UNDER DURABLE MEDICAL EQUIPMENT ACCREDITATION REQUIREMENTS.

(a) In general.—Section 1834(a)(20) of the Social Security Act (42 U.S.C. 1395m(a)(20)) is amended—

(1) in subparagraph (F)—

(A) in clause (i)—
(i) by striking “clause (ii)” and inserting “clauses (ii) and (iii)”;

(ii) by striking “January 1, 2010” and inserting “January 1, 2011”; and

(iii) by striking “and” at the end;

(B) in clause (ii)(II), by striking the period at the end and inserting “; and”;

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

“(iii)(I) subject to subclause (II), with respect to items and services furnished on or after January 1, 2011, the accreditation requirement of clause (i) shall not apply to a pharmacy described in subparagraph (G); and

“(II) effective with respect to items and services furnished on or after the date of the enactment of this subparagraph, the Secretary may apply to pharmacies quality standards and an accreditation requirement established by the Secretary that are an alternative to the quality standards and accreditation requirement otherwise applicable under this paragraph if the Secretary determines such alternative quality stand-
ards and accreditation requirement are appropriate for pharmacies.”; and

(D) by adding at the end the following flush sentence:

“If determined appropriate by the Secretary, any alternative quality standards and accreditation requirement established under clause (iii)(II) may differ for categories of pharmacies established by the Secretary (such as pharmacies described in subparagraph (G)).”; and

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

“(G) PHARMACY DESCRIBED.—A pharmacy described in this subparagraph is a pharmacy that meets each of the following criteria:

“(i) The total billings by the pharmacy for such items and services under this title are less than 5 percent of total pharmacy sales for a previous period (of not less than 24 months) specified by the Secretary.

“(ii) The pharmacy has been enrolled under section 1866(j) as a supplier of durable medical equipment, prosthetics, orthotics, and supplies, has been issued
(which may include the renewal of) a provider number for at least 2 years, and for which a final adverse action (as defined in section 424.57(a) of title 42, Code of Federal Regulations) has not been imposed in the past 2 years.

“(iii) The pharmacy submits to the Secretary an attestation, in a form and manner, and at a time, specified by the Secretary, that the pharmacy meets the criteria described in clauses (i) and (ii).

“(iv) The pharmacy agrees to submit materials as requested by the Secretary, or during the course of an audit conducted on a random sample of pharmacies selected annually, to verify that the pharmacy meets the criteria described in clauses (i) and (ii). Materials submitted under the preceding sentence shall include a certification by an independent accountant on behalf of the pharmacy or the submission of tax returns filed by the pharmacy during the relevant periods, as requested by the Secretary.”.
(b) **Conforming Amendments.**—Section 1834(a)(20)(E) of the Social Security Act (42 U.S.C. 1395m(a)(20)(E)) is amended—

(1) in the first sentence, by striking “The” and inserting “Except as provided in the third sentence, the”;

(2) by adding at the end the following new sentences: “Notwithstanding the preceding sentences, any alternative quality standards and accreditation requirement established under subparagraph (F)(iii)(II) shall be established through notice and comment rulemaking. The Secretary may implement by program instruction or otherwise subparagraph (G) after consultation with representatives of relevant parties. The specifications developed by the Secretary in order to implement subparagraph (G) shall be posted on the Internet website of the Centers for Medicare & Medicaid Services.”.

(c) **Administration.**—Chapter 35 of title 44, United States Code, shall not apply to this section.

(d) **Rule of Construction.**—Nothing in the provisions of, or amendments made by, this section shall be construed as affecting the application of an accreditation requirement for pharmacies to qualify for bidding in a
competitive acquisition area under section 1847 of the Social Security Act (42 U.S.C. 1395w–3).

(c) Waiver of 1-Year Reenrollment Bar.—In the case of a pharmacy described in subparagraph (G) of section 1834(a)(20) of the Social Security Act, as added by subsection (a), whose billing privileges were revoked prior to January 1, 2011, by reason of noncompliance with subparagraph (F)(i) of such section, the Secretary of Health and Human Services shall waive any reenrollment bar imposed pursuant to section 424.535(d) of title 42, Code of Federal Regulations (as in effect on the date of the enactment of this Act) for such pharmacy to reapply for such privileges.

SEC. 615. ENHANCED PAYMENT FOR MENTAL HEALTH SERVICES.

Section 138(a)(1) of the Medicare Improvements for Patients and Providers Act of 2008 (Public Law 110–275) is amended by striking “December 31, 2009” and inserting “December 31, 2010”.

SEC. 616. EXTENSION OF AMBULANCE ADD-ONS.

(a) In General.—Section 1834(l)(13) of the Social Security Act (42 U.S.C. 1395m(l)(13)) is amended—

(1) in subparagraph (A)—
(A) in the matter preceding clause (i), by striking “before January 1, 2010” and inserting “before January 1, 2011”; and

(B) in each of clauses (i) and (ii), by striking “before January 1, 2010” and inserting “before January 1, 2011”.

(b) Air Ambulance Improvements.—Section 146(b)(1) of the Medicare Improvements for Patients and Providers Act of 2008 (Public Law 110–275) is amended by striking “ending on December 31, 2009” and inserting “ending on December 31, 2010”.

(c) Super Rural Ambulance.—Section 1834(l)(12)(A) of the Social Security Act (42 U.S.C. 1395m(l)(12)(A)) is amended—

(1) in the first sentence, by striking “2010” and inserting “2011”; and

(2) by adding at the end the following new sentence: “For purposes of applying this subparagraph for ground ambulance services furnished on or after January 1, 2010, and before January 1, 2011, the Secretary shall use the percent increase that was applicable under this subparagraph to ground ambulance services furnished during 2009.”.
SEC. 617. EXTENSION OF GEOGRAPHIC FLOOR FOR WORK.


SEC. 618. EXTENSION OF PAYMENT FOR TECHNICAL COMPONENT OF CERTAIN PHYSICIAN PATHOLOGY SERVICES.


SEC. 619. EXTENSION OF OUTPATIENT HOLD HARMLESS PROVISION.

Section 1833(t)(7)(D)(i) of the Social Security Act (42 U.S.C. 1395l(t)(7)(D)(i)) is amended—

(1) in subclause (II)—
(A) in the first sentence, by striking “2010” and inserting “2011”; and

(B) in the second sentence, by striking “or 2009” and inserting “, 2009, or 2010”; and

(2) in subclause (III), by striking “January 1, 2010” and inserting “January 1, 2011”.

SEC. 620. EHR CLARIFICATION.

(a) QUALIFICATION FOR CLINIC-BASED PHYSICIANS.—

(1) MEDICARE.—Section 1848(o)(1)(C)(ii) of the Social Security Act (42 U.S.C. 1395w–4(o)(1)(C)(ii)) is amended by striking “setting (whether inpatient or outpatient)” and inserting “inpatient or emergency room setting”.

(2) MEDICAID.—Section 1903(t)(3)(D) of the Social Security Act (42 U.S.C. 1396b(t)(3)(D)) is amended by striking “setting (whether inpatient or outpatient)” and inserting “inpatient or emergency room setting”.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall be effective as if included in the enactment of the HITECH Act (included in the American Recovery and Reinvestment Act of 2009 (Public Law 111–5)).
(c) IMPLEMENTATION.—Notwithstanding any other provision of law, the Secretary may implement the amendments made by this section by program instruction or otherwise.

SEC. 621. EXTENSION OF REIMBURSEMENT FOR ALL MEDICARE PART B SERVICES FURNISHED BY CERTAIN INDIAN HOSPITALS AND CLINICS.

Section 1880(e)(1)(A) of the Social Security Act (42 U.S.C. 1395qq(e)(1)(A)) is amended by striking “5-year period” and inserting “6-year period”.

SEC. 622. EXTENSION OF CERTAIN PAYMENT RULES FOR LONG-TERM CARE HOSPITAL SERVICES AND OF MORATORIUM ON THE ESTABLISHMENT OF CERTAIN HOSPITALS AND FACILITIES.

(a) EXTENSION OF CERTAIN PAYMENT RULES.—Section 114(c) of the Medicare, Medicaid, and SCHIP Extension Act of 2007 (42 U.S.C. 1395ww note), as amended by section 4302(a) of the American Recovery and Reinvestment Act (Public Law 111–5), is amended by striking “3-year period” each place it appears and inserting “4-year period”.

(b) EXTENSION OF MORATORIUM.—Section 114(d)(1) of such Act (42 U.S.C. 1395ww note), as amended by section 4302(b) of the American Recovery and Reinvestment Act (Public Law 111–5), in the matter
preceding subparagraph (A), is amended by striking “3-year period” and inserting “4-year period”.

SEC. 623. EXTENSION OF THE MEDICARE RURAL HOSPITAL FLEXIBILITY PROGRAM.

Section 1820(j) of the Social Security Act (42 U.S.C. 1395i–4(j)) is amended—

(1) by striking “2010, and for” and inserting “2010, for”; and

(2) by inserting “and for making grants to all States under subsection (g), such sums as may be necessary in fiscal year 2011, to remain available until expended” before the period at the end.

SEC. 624. EXTENSION OF SECTION 508 HOSPITAL RECLASSIFICATIONS.


(b) SPECIAL RULE FOR FISCAL YEAR 2010.—For purposes of implementation of the amendment made by subsection (a), including (notwithstanding paragraph (3)
of section 117(a) of the Medicare, Medicaid, and SCHIP Extension Act of 2007 (Public Law 110–173), as amended by section 124(b) of the Medicare Improvements for Patients and Providers Act of 2008 (Public Law 110–275)) for purposes of the implementation of paragraph (2) of such section 117(a), during fiscal year 2010, the Secretary of Health and Human Services (in this subsection referred to as the “Secretary”) shall use the hospital wage index that was promulgated by the Secretary in the Federal Register on August 27, 2009 (74 Fed. Reg. 43754), and any subsequent corrections.

SEC. 625. TECHNICAL CORRECTION RELATED TO CRITICAL ACCESS HOSPITAL SERVICES.

(a) In General.—Subsections (g)(2)(A) and (l)(8) of section 1834 of the Social Security Act (42 U.S.C. 1395m) are each amended by inserting “101 percent of’ before “the reasonable costs”.

(b) Effective Date.—The amendments made by subsection (a) shall take effect as if included in the enactment of section 405(a) of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (Public Law 108–173; 117 Stat. 2266).
SEC. 626. EXTENSION FOR SPECIALIZED MA PLANS FOR
SPECIAL NEEDS INDIVIDUALS.

(a) In General.—Section 1859(f)(1) of the Social Security Act (42 U.S.C. 1395w–28(f)(1)) is amended by striking “2011” and inserting “2012”.

(b) Temporary Extension of Authority to Operate but No Service Area Expansion for Dual Special Needs Plans That Do Not Meet Certain Requirements.—Section 164(c)(2) of the Medicare Improvements for Patients and Providers Act of 2008 (Public Law 110–275) is amended by striking “December 31, 2010” and inserting “December 31, 2011”.

SEC. 627. EXTENSION OF REASONABLE COST CONTRACTS.

Section 1876(h)(5)(C)(ii) of the Social Security Act (42 U.S.C. 1395mm(h)(5)(C)(ii)) is amended, in the matter preceding subclause (I), by striking “January 1, 2010” and inserting “January 1, 2011”.

SEC. 628. EXTENSION OF PARTICULAR WAIVER POLICY FOR EMPLOYER GROUP PLANS.

For plan year 2011 and subsequent plan years, to the extent that the Secretary of Health and Human Services is applying the 2008 service area extension waiver policy (as modified in the April 11, 2008, Centers for Medicare & Medicaid Services’ memorandum with the subject “2009 Employer Group Waiver-Modification of the 2008 Service Area Extension Waiver Granted to Certain MA
Local Coordinated Care Plans’’) to Medicare Advantage
coordinated care plans, the Secretary shall extend the ap-
plication of such waiver policy to employers who contract
directly with the Secretary as a Medicare Advantage pri-
vate fee-for-service plan under section 1857(i)(2) of the
Social Security Act (42 U.S.C. 1395w–27(i)(2)) and that
had enrollment as of January 1, 2010.

SEC. 629. EXTENSION OF CONTINUING CARE RETIREMENT
COMMUNITY PROGRAM.

Notwithstanding any other provision of law, the Sec-
etary of Health and Human Services shall continue to
conduct the Erickson Advantage Continuing Care Retire-
ment Community (CCRC) program under part C of title
XVIII of the Social Security Act through December 31,
2011.

SEC. 630. FUNDING OUTREACH AND ASSISTANCE FOR LOW-
INCOME PROGRAMS.

(a) ADDITIONAL FUNDING FOR STATE HEALTH IN-
surance Programs.—Subsection (a)(1)(B) of section
119 of the Medicare Improvements for Patients and Pro-
viders Act of 2008 (42 U.S.C. 1395b–3 note) is amended
by striking ‘‘(42 U.S.C. 1395w–23(f))’’ and all that fol-
lows through the period at the end and inserting ‘‘(42
U.S.C. 1395w–23(f)), to the Centers for Medicare & Med-
icaid Services Program Management Account—
“(i) for fiscal year 2009, of $7,500,000; and
“(ii) for fiscal year 2010, of $6,000,000.

Amounts appropriated under this subparagraph shall remain available until expended.”.

(b) ADDITIONAL FUNDING FOR AREA AGENCIES ON AGING.—Subsection (b)(1)(B) of such section 119 is amended by striking “(42 U.S.C. 1395w–23(f))” and all that follows through the period at the end and inserting “(42 U.S.C. 1395w–23(f)), to the Administration on Aging—
“(i) for fiscal year 2009, of $7,500,000; and
“(ii) for fiscal year 2010, of $6,000,000.

Amounts appropriated under this subparagraph shall remain available until expended.”.

(c) ADDITIONAL FUNDING FOR AGING AND DISABILITY RESOURCE CENTERS.—Subsection (e)(1)(B) of such section 119 is amended by striking “(42 U.S.C. 1395w–23(f))” and all that follows through the period at the end and inserting “(42 U.S.C. 1395w–23(f)), to the Administration on Aging—
“(i) for fiscal year 2009, of $5,000,000; and
“(ii) for fiscal year 2010, of $6,000,000.

Amounts appropriated under this subparagraph shall remain available until expended.”.

(d) ADDITIONAL FUNDING FOR CONTRACT WITH THE NATIONAL CENTER FOR BENEFITS AND OUTREACH ENROLLMENT.—Subsection (d)(2) of such section 119 is amended by striking “(42 U.S.C. 1395w–23(f))” and all that follows through the period at the end and inserting “(42 U.S.C. 1395w–23(f)), to the Administration on Aging—
“(i) for fiscal year 2009, of $5,000,000; and
“(ii) for fiscal year 2010, of $2,000,000.

Amounts appropriated under this subparagraph shall remain available until expended.”.

SEC. 631. FAMILY-TO-FAMILY HEALTH INFORMATION CENTERS.

Section 501(c)(1)(A)(iii) of the Social Security Act (42 U.S.C. 701(c)(1)(A)(iii)) is amended by striking “fiscal year 2009” and inserting “each of fiscal years 2009 through 2011”.

SEC. 632. IMPLEMENTATION FUNDING.

For purposes of carrying out the provisions of, and amendments made by, this title that relate to titles XVIII and XIX of the Social Security Act, there are appropriated to the Secretary of Health and Human Services for the Centers for Medicare & Medicaid Services Program Management Account, from amounts in the general fund of the Treasury not otherwise appropriated, $100,000,000. Amounts appropriated under the preceding sentence shall remain available until expended.

Subtitle C—Other Provisions

SEC. 641. EXTENSION OF USE OF 2009 POVERTY GUIDELINES.

Section 1012 of the Department of Defense Appropriations Act, 2010 (Public Law 111–118) is amended—

(1) by striking “before March 1, 2010”; and

(2) by inserting “for 2011” after “until updated poverty guidelines”.

SEC. 642. REFUNDS DISREGARDED IN THE ADMINISTRATION OF FEDERAL PROGRAMS AND FEDERALLY ASSISTED PROGRAMS.

(a) In General.—Subchapter A of chapter 65 is amended by adding at the end the following new section:
SEC. 6409. REFUNDS DISREGARDED IN THE ADMINISTRATION OF FEDERAL PROGRAMS AND FEDERALLY ASSISTED PROGRAMS.

“(a) In General.—Notwithstanding any other provision of law, any refund (or advance payment with respect to a refundable credit) made to any individual under this title shall not be taken into account as income, and shall not be taken into account as resources for a period of 12 months from receipt, for purposes of determining the eligibility of such individual (or any other individual) for benefits or assistance (or the amount or extent of benefits or assistance) under any Federal program or under any State or local program financed in whole or in part with Federal funds.

“(b) Termination.—Subsection (a) shall not apply to any amount received after December 31, 2010.”.

(b) Clerical Amendment.—The table of sections for such subchapter is amended by adding at the end the following new item:

“Sec. 6409. Refunds disregarded in the administration of Federal programs and federally assisted programs.”.

(c) Effective Date.—The amendments made by this section shall apply to amounts received after December 31, 2009.
SEC. 643. STATE COURT IMPROVEMENT PROGRAM.

Section 438 of the Social Security Act (42 U.S.C. 629h) is amended—

(1) in subsection (c)(2)(A), by striking “2010” and inserting “2011”; and

(2) in subsection (e), by striking “2010” and inserting “2011”.

SEC. 644. EXTENSION OF NATIONAL FLOOD INSURANCE PROGRAM.

Section 129 of the Continuing Appropriations Resolution, 2010 (Public Law 111-68), as amended by section 1005 of Public Law 111-118, is further amended by striking “by substituting” and all that follows through the period at the end, and inserting “by substituting May 31, 2010, for the date specified in each such section.”.

SEC. 645. EXTENSION OF INTELLIGENCE AUTHORITY SUNSETS.


(b) INTELLIGENCE REFORM AND TERRORISM PREVENTION ACT OF 2004.—Section 6001(b)(1) of the Intel-
1 126
2 1 vigilence Reform and Terrorism Prevention Act of 2004
4 note) is amended by striking “February 28, 2010” and
5 inserting “February 28, 2011”.
6 5 SEC. 646. EMERGENCY DISASTER ASSISTANCE.
7 6 (a) DEFINITIONS.—Except as otherwise provided in
8 this section, in this section:
9 8 (1) DISASTER COUNTY.—
10 10 (A) IN GENERAL.—The term “disaster
11 11 county” means a county included in the geo-
12 12 graphic area covered by a qualifying natural
13 13 disaster declaration for the 2009 crop year.
14 14 (B) EXCLUSION.—The term “disaster
15 15 county” does not include a contiguous county.
16 16 (2) ELIGIBLE AQUACULTURE PRODUCER.—The
17 17 term “eligible aquaculture producer” means an
18 18 aquaculture producer that during the 2009 calendar
19 19 year, as determined by the Secretary—
20 20 (A) produced an aquaculture species for
21 21 which feed costs represented a substantial per-
22 22 centage of the input costs of the aquaculture
23 23 operation; and
24 24 (B) experienced a substantial price in-
25 25 crease of feed costs above the previous 5-year
26 26 average.
(3) ELIGIBLE PRODUCER.—The term “eligible producer” means an agricultural producer in a disaster county.

(4) ELIGIBLE SPECIALTY CROP PRODUCER.—The term “eligible specialty crop producer” means an agricultural producer that, for the 2009 crop year, as determined by the Secretary—

(A) produced, or was prevented from planting, a specialty crop; and

(B) experienced crop losses in a disaster county due to excessive rainfall or related condition.

(5) QUALIFYING NATURAL DISASTER DECLARATION.—The term “qualifying natural disaster declaration” means a natural disaster declared by the Secretary for production losses under section 321(a) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1961(a)).

(6) SECRETARY.—The term “Secretary” means the Secretary of Agriculture.

(7) SPECIALTY CROP.—The term “specialty crop” has the meaning given the term in section 3 of the Specialty Crops Competitiveness Act of 2004 (Public Law 108–465; 7 U.S.C. 1621 note).

(b) SUPPLEMENTAL DIRECT PAYMENT.—
(1) IN GENERAL.—Of the funds of the Commodity Credit Corporation, the Secretary shall use such sums as are necessary to make supplemental payments under sections 1103 and 1303 of the Food, Conservation, and Energy Act of 2008 (7 U.S.C. 8713, 8753) to eligible producers on farms located in disaster counties that had at least 1 crop of economic significance (other than crops intended for grazing) suffer at least a 5-percent crop loss due to a natural disaster, including quality losses, as determined by the Secretary, in an amount equal to 90 percent of the direct payment the eligible producers received for the 2009 crop year on the farm.

(2) ACRE PROGRAM.—Eligible producers that received payments under section 1105 of the Food, Conservation, and Energy Act of 2008 (7 U.S.C. 8715) for the 2009 crop year and that otherwise meet the requirements of paragraph (1) shall be eligible to receive supplemental payments under that paragraph in an amount equal to 90 percent of the reduced direct payment the eligible producers received for the 2009 crop year under section 1103 or 1303 of the Food, Conservation, and Energy Act of 2008 (7 U.S.C. 8713, 8753).
(3) Insurance Requirement.—As a condition of receiving assistance under this subsection, eligible producers on a farm that—

(A) in the case of an insurable commodity, did not obtain a policy or plan of insurance for the insurable commodity under the Federal Crop Insurance Act (7 U.S.C. 1501 et seq.) (other than for a crop insurance pilot program under that Act) for each crop of economic significance (other than crops intended for grazing), shall obtain such a policy or plan for those crops for the next available crop year, as determined by the Secretary; or

(B) in the case of a noninsurable commodity, did not file the required paperwork, and pay the administrative fee by the applicable State filing deadline, for the noninsurable commodity under section 196 of the Federal Agriculture Improvement and Reform Act of 1996 (7 U.S.C. 7333) for each crop of economic significance (other than crops intended for grazing), shall obtain such coverage for those crops for the next available crop year, as determined by the Secretary.
(4) RELATIONSHIP TO OTHER LAW.—Assistance received under this subsection shall be included in the calculation of farm revenue for the 2009 crop year under section 531(b)(4)(A) of the Federal Crop Insurance Act (7 U.S.C. 1531(b)(4)(A)) and section 901(b)(4)(A) of the Trade Act of 1974 (19 U.S.C. 2497(b)(4)(A)).

(c) SPECIALTY CROP ASSISTANCE.—

(1) IN GENERAL.—Of the funds of the Commodity Credit Corporation, the Secretary shall use not more than $150,000,000, to remain available until September 30, 2011, to carry out a program of grants to States to assist eligible specialty crop producers for losses due to excessive rainfall and related conditions affecting the 2009 crops.

(2) NOTIFICATION.—Not later than 60 days after the date of enactment of this Act, the Secretary shall notify the State department of agriculture (or similar entity) in each State of the availability of funds to assist eligible specialty crop producers, including such terms as are determined by the Secretary to be necessary for the equitable treatment of eligible specialty crop producers.

(3) PROVISION OF GRANTS.—
(A) **IN GENERAL.**—The Secretary shall make grants to States for disaster counties with excessive rainfall and related conditions on a pro rata basis based on the value of specialty crop losses in those counties during the 2008 calendar year, as determined by the Secretary.

(B) **TIMING.**—Not later than 120 days after the date of enactment of this Act, the Secretary shall make grants to States to provide assistance under this subsection.

(C) **MAXIMUM GRANT.**—The maximum amount of a grant made to a State under this subsection may not exceed $40,000,000.

(4) **REQUIREMENTS.**—The Secretary shall make grants under this subsection only to States that demonstrate to the satisfaction of the Secretary that the State will—

(A) use grant funds to assist eligible specialty crop producers;

(B) provide assistance to eligible specialty crop producers not later than 90 days after the date on which the State receives grant funds; and

(C) not later than 30 days after the date on which the State provides assistance to eligi-
ble specialty crop producers, submit to the Secretary a report that describes—

(i) the manner in which the State provided assistance;

(ii) the amounts of assistance provided by type of specialty crop; and

(iii) the process by which the State determined the levels of assistance to eligible specialty crop producers.

(5) Relation to Other Law.—Assistance received under this subsection shall be included in the calculation of farm revenue for the 2009 crop year under section 531(b)(4)(A) of the Federal Crop Insurance Act (7 U.S.C. 1531(b)(4)(A)) and section 901(b)(4)(A) of the Trade Act of 1974 (19 U.S.C. 2497(b)(4)(A)).

(d) Cottonseed Assistance.—

(1) In General.—Of the funds of the Commodity Credit Corporation, the Secretary shall use not more than $42,000,000 to provide supplemental assistance to eligible producers and first-handlers of the 2009 crop of cottonseed in a disaster county.

(2) General Terms.—Except as otherwise provided in this subsection, the Secretary shall provide disaster assistance under this subsection under
the same terms and conditions as assistance pro-
vided under section 3015 of the Emergency Agricul-
tural Disaster Assistance Act of 2006 (title III of

(3) DISTRIBUTION OF ASSISTANCE.—The Sec-
retary shall distribute assistance to first handlers for
the benefit of eligible producers in a disaster county
in an amount equal to the product obtained by mul-
tiplying—

(A) the payment rate, as determined under
paragraph (4); and

(B) the county-eligible production, as de-
determined under paragraph (5).

(4) PAYMENT RATE.—The payment rate shall
be equal to the quotient obtained by dividing—

(A) the sum of the county-eligible produc-
tion, as determined under paragraph (5); by

(B) the total funds made available to carry
out this subsection.

(5) COUNTY-ELIGIBLE PRODUCTION.—The
county-eligible production shall be equal to the prod-
uct obtained by multiplying—

(A) the number of acres planted to cotton
in the disaster county, as reported to the Sec-
retary by first-handlers;
(B) the expected cotton lint yield for the disaster county, as determined by the Secretary based on the best available information; and

(C) the national average seed-to-lint ratio, as determined by the Secretary based on the best available information for the 5 crop years immediately preceding the 2009 crop, excluding the year in which the average ratio was the highest and the year in which the average ratio was the lowest in such period.

(e) AQUACULTURE ASSISTANCE.—

(1) GRANT PROGRAM.—

(A) IN GENERAL.—Of the funds of the Commodity Credit Corporation, the Secretary shall use not more than $25,000,000, to remain available until September 30, 2011, to carry out a program of grants to States to assist eligible aquaculture producers for losses associated with high feed input costs during the 2009 calendar year.

(B) NOTIFICATION.—Not later than 60 days after the date of enactment of this Act, the Secretary shall notify the State department of agriculture (or similar entity) in each State of the availability of funds to assist eligible
aquaculture producers, including such terms as are determined by the Secretary to be necessary for the equitable treatment of eligible aquaculture producers.

(C) Provision of grants.—

(i) In general.—The Secretary shall make grants to States under this subsection on a pro rata basis based on the amount of aquaculture feed used in each State during the 2008 calendar year, as determined by the Secretary.

(ii) Timing.—Not later than 120 days after the date of enactment of this Act, the Secretary shall make grants to States to provide assistance under this subsection.

(D) Requirements.—The Secretary shall make grants under this subsection only to States that demonstrate to the satisfaction of the Secretary that the State will—

(i) use grant funds to assist eligible aquaculture producers;

(ii) provide assistance to eligible aquaculture producers not later than 60 days after the date on which the State receives grant funds; and
(iii) not later than 30 days after the date on which the State provides assistance to eligible aquaculture producers, submit to the Secretary a report that describes—

(I) the manner in which the State provided assistance;

(II) the amounts of assistance provided per species of aquaculture; and

(III) the process by which the State determined the levels of assistance to eligible aquaculture producers.

(2) Reduction in Payments.—An eligible aquaculture producer that receives assistance under this subsection shall not be eligible to receive any other assistance under the supplemental agricultural disaster assistance program established under section 531 of the Federal Crop Insurance Act (7 U.S.C. 1531) and section 901 of the Trade Act of 1974 (19 U.S.C. 2497) for any losses in 2009 relating to the same species of aquaculture.

(3) Report to Congress.—Not later than 240 days after the date of enactment of this Act, the Secretary shall submit to the appropriate committees of Congress a report that—
(A) describes in detail the manner in which this subsection has been carried out; and
(B) includes the information reported to the Secretary under paragraph (1)(D)(iii).

(f) Hawaii Transportation Cooperative.—Notwithstanding any other provision of law, the Secretary shall use $21,000,000 of funds of the Commodity Credit Corporation to make a payment to an agricultural transportation cooperative in the State of Hawaii, the members of which are eligible to participate in the commodity loan program of the Farm Service Agency, for assistance to maintain and develop employment.

(g) Livestock Forage Disaster Program.—

(1) Definition of disaster county.—In this subsection:

(A) In general.—The term “disaster county” means a county included in the geographic area covered by a qualifying natural disaster declaration announced by the Secretary in calendar year 2009.

(B) Inclusion.—The term “disaster county” includes a contiguous county.

(2) Payments.—Of the funds of the Commodity Credit Corporation, the Secretary shall use not more than $50,000,000 to carry out a program
to make payments to eligible producers that had
grazing losses in disaster counties in calendar year
2009.

(3) CRITERIA.—

(A) IN GENERAL.—Except as provided in
subparagraph (B), assistance under this sub-
section shall be determined under the same cri-
teria as are used to carry out the programs
under section 531(d) of the Federal Crop In-
surance Act (7 U.S.C. 1531(d)) and section
901(d) of the Trade Act of 1974 (19 U.S.C.
2497(d)).

(B) DROUGHT INTENSITY.—For purposes
of this subsection, an eligible producer shall not
be required to meet the drought intensity re-
quirements of section 531(d)(3)(D)(ii) of the
Federal Crop Insurance Act (7 U.S.C.
1531(d)(3)(D)(ii)) and section 901(d)(3)(D)(ii)
of the Trade Act of 1974 (19 U.S.C.
2497(d)(3)(D)(ii)).

(4) AMOUNT.—Assistance under this subsection
shall be in an amount equal to 1 monthly payment
using the monthly payment rate under section
531(d)(3)(B) of the Federal Crop Insurance Act (7

(5) Relation to Other Law.—An eligible producer that receives assistance under this subsection shall be ineligible to receive assistance for 2009 grazing losses under the program carried out under section 531(d) of the Federal Crop Insurance Act (7 U.S.C. 1531(d)) and section 901(d) of the Trade Act of 1974 (19 U.S.C. 2497(d)).

(h) Emergency Loans for Poultry Producers.—

(1) Definitions.—In this subsection:

(A) Announcement Date.—The term “announcement date” means the date on which the Secretary announces the emergency loan program under this subsection.

(B) Poultry Integrator.—The term “poultry integrator” means a poultry integrator that filed proceedings under chapter 11 of title 11, United States Code, in United States Bankruptcy Court during the 30-day period beginning on December 1, 2008.

(2) Loan Program.—

(A) In General.—Of the funds of the Commodity Credit Corporation, the Secretary
shall use not more than $75,000,000, to remain available until expended, for the cost of making no-interest emergency loans available to poultry producers that meet the requirements of this subsection.

(B) Terms and Conditions.—Except as otherwise provided in this subsection, emergency loans under this subsection shall be subject to such terms and conditions as are determined by the Secretary.

(3) Loans.—

(A) In General.—An emergency loan made to a poultry producer under this subsection shall be for the purpose of providing financing to the poultry producer in response to financial losses associated with the termination or nonrenewal of any contract between the poultry producer and a poultry integrator.

(B) Eligibility.—

(i) In General.—To be eligible for an emergency loan under this subsection, not later than 90 days after the announcement date, a poultry producer shall submit to the Secretary evidence that—
(I) the contract of the poultry producer described in subparagraph (A) was not continued; and

(II) no similar contract has been awarded subsequently to the poultry producer.

(ii) REQUIREMENT TO OFFER LOANS.—Notwithstanding any other provision of law, if a poultry producer meets the eligibility requirements described in clause (i), subject to the availability of funds under paragraph (2)(A), the Secretary shall offer to make a loan under this subsection to the poultry producer with a minimum term of 2 years.

(4) ADDITIONAL REQUIREMENTS.—

(A) IN GENERAL.—A poultry producer that receives an emergency loan under this subsection may use the emergency loan proceeds only to repay the amount that the poultry producer owes to any lender.

(B) CONVERSION OF THE LOAN.—A poultry producer that receives an emergency loan under this subsection shall be eligible to have the balance of the emergency loan converted,
but not refinanced, to a loan that has the same
terms and conditions as an operating loan
under subtitle B of the Consolidated Farm and
Rural Development Act (7 U.S.C. 1941 et seq.).

(i) Administration.—

(1) Regulations.—

(A) In general.—As soon as practicable
after the date of enactment of this Act, the Sec-
retary shall promulgate such regulations as are
necessary to implement this section.

(B) Procedure.—The promulgation of
the regulations and administration of this sec-
tion shall be made without regard to—

(i) the notice and comment provisions
of section 553 of title 5, United States
Code;

(ii) the Statement of Policy of the
Secretary of Agriculture effective July 24,
1971 (36 Fed. Reg. 13804), relating to no-
tices of proposed rulemaking and public
participation in rulemaking; and

(iii) chapter 35 of title 44, United
States Code (commonly known as the “Pa-
perwork Reduction Act”).
(C) **Congressional review of agency rulemaking.**—In carrying out this paragraph, the Secretary shall use the authority provided under section 808 of title 5, United States Code.

(2) **Administrative costs.**—Of the funds of the Commodity Credit Corporation, the Secretary may use up to $15,000,000 to pay administrative costs incurred by the Secretary that are directly related to carrying out this Act.

(3) **Prohibition.**—None of the funds of the Agricultural Disaster Relief Trust Fund established under section 902 of the Trade Act of 1974 (19 U.S.C. 2497a) may be used to carry out this Act.

**SEC. 647. SMALL BUSINESS LOAN GUARANTEE ENHANCEMENT EXTENSIONS.**

(a) **Appropriation.**—There is appropriated, out of any funds in the Treasury not otherwise appropriated, for an additional amount for “Small Business Administration – Business Loans Program Account”, $354,000,000, to remain available through December 31, 2010, for the cost of—

(1) fee reductions and eliminations under section 501 of division A of the American Recovery and Reinvestment Act of 2009 (Public Law 111–5; 123
Stat. 151), as amended by this section, for loans
guaranteed under section 7(a) of the Small Business
Act (15 U.S.C. 636(a)), title V of the Small Busi-
seq.), or section 502 of division A of the American
Recovery and Reinvestment Act of 2009 (Public
Law 111–5; 123 Stat. 152), as amended by this sec-
tion; and

(2) loan guarantees under section 502 of divi-
sion A of the American Recovery and Reinvestment
Act of 2009 (Public Law 111–5; 123 Stat. 152), as
amended by this section,

Provided, That such costs, including the cost of modifying
such loans, shall be as defined in section 502 of the Con-

(b) EXTENSION OF PROGRAMS.—

(1) FEES.—Section 501 of division A of the
American Recovery and Reinvestment Act of 2009
(Public Law 111–5; 123 Stat. 151) is amended by
striking “September 30, 2010” each place it appears
and inserting “December 31, 2010”.

(2) LOAN GUARANTEES.—Section 502(f) of di-
vision A of the American Recovery and Reinvest-
153) is amended by striking “February 28, 2010” and inserting “December 31, 2010”.

**TITLE VII—PENSION FUNDING RELIEF**

**Subtitle A—Single Employer Plans**

**SEC. 701. EXTENDED PERIOD FOR SINGLE-EMPLOYER DEFINED BENEFIT PLANS TO AMORTIZE CERTAIN SHORTFALL AMORTIZATION BASES.**

(a) Amendments to ERISA.—

(1) In general.—Paragraph (2) of section 303(c) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1083(c)) is amended by adding at the end the following subparagraph:

“(D) Special election for eligible plan years.—

“(i) In general.—If a plan sponsor elects to apply this subparagraph with respect to the shortfall amortization base of a plan for any eligible plan year (in this subparagraph and paragraph (7) referred to as an ‘election year’), then, notwithstanding subparagraphs (A) and (B)—

“(I) the shortfall amortization installments with respect to such base shall be determined under clause (ii)
or (iii), whichever is specified in the
election, and

“(II) the shortfall amortization
installment for any plan year in the 9-
plan-year period described in clause
(ii) or the 15-plan-year period de-
described in clause (iii), respectively,
with respect to such shortfall amorti-
ization base is the annual installment
determined under the applicable
clause for that year for that base.

“(ii) 2 PLUS 7 AMORTIZATION SCHED-
ULE.—The shortfall amortization install-
ments determined under this clause are—

“(I) in the case of the first 2
plan years in the 9-plan-year period
beginning with the election year, in-
terest on the shortfall amortization
base of the plan for the election year
(determined using the effective inter-
est rate for the plan for the election
year), and

“(II) in the case of the last 7
plan years in such 9-plan-year period,
the amounts necessary to amortize the

remaining balance of the shortfall amortization base of the plan for the election year in level annual installments over such last 7 plan years (using the segment rates under subparagraph (C) for the election year).

“(iii) 15-YEAR AMORTIZATION.—The shortfall amortization installments determined under this subparagraph are the amounts necessary to amortize the shortfall amortization base of the plan for the election year in level annual installments over the 15-plan-year period beginning with the election year (using the segment rates under subparagraph (C) for the election year).

“(iv) ELECTION.—

“(I) IN GENERAL.—The plan sponsor of a plan may elect to have this subparagraph apply to not more than 2 eligible plan years with respect to the plan, except that in the case of a plan described in section 106 of the Pension Protection Act of 2006, the plan sponsor may only elect to have
this subparagraph apply to a plan year beginning in 2011.

“(II) Amortization schedule.—Such election shall specify whether the amortization schedule under clause (ii) or (iii) shall apply to an election year, except that if a plan sponsor elects to have this subparagraph apply to 2 eligible plan years, the plan sponsor must elect the same schedule for both years.

“(III) Other rules.—Such election shall be made at such time, and in such form and manner, as shall be prescribed by the Secretary of the Treasury, and may be revoked only with the consent of the Secretary of the Treasury. The Secretary of the Treasury shall, before granting a revocation request, provide the Pension Benefit Guaranty Corporation an opportunity to comment on the conditions applicable to the treatment of any portion of the election year short-
fall amortization base that remains
unamortized as of the revocation date.

“(v) ELIGIBLE PLAN YEAR.—For pur-
poses of this subparagraph, the term ‘eligi-
ble plan year’ means any plan year begin-
that a plan year shall only be treated as an
eligible plan year if the due date under
subsection (j)(1) for the payment of the
minimum required contribution for such
plan year occurs on or after the date of the
enactment of this subparagraph.

“(vi) REPORTING.—A plan sponsor of
a plan who makes an election under clause
(i) shall inform the Pension Benefit Guar-
anty Corporation of such election in such
form and manner as the Director of the
Pension Benefit Guaranty Corporation
may prescribe.

“(vii) INCREASES IN REQUIRED IN-
STALLMENTS IN CERTAIN CASES.—For in-
creases in required contributions in cases
of excess compensation or extraordinary
dividends or stock redemptions, see para-
graph (7).”.
(2) Increases in required installments in certain cases.—Section 303(c) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1083(c)) is amended by adding at the end the following paragraph:

“(7) Increases in alternate required installments in cases of excess compensation or extraordinary dividends or stock redemptions.—

“(A) In general.—If there is an installment acceleration amount with respect to a plan for any plan year in the 9-plan-year or 15-plan-year period, whichever is applicable, with respect to an election year under paragraph (2)(D), then the shortfall amortization installment otherwise determined and payable under such paragraph for such payment year shall, subject to the limitation under subparagraph (B), be increased by such amount.

“(B) Total installments limited to shortfall base.—Subject to rules prescribed by the Secretary of the Treasury, if a shortfall amortization installment with respect to any shortfall amortization base for an election year
is required to be increased for any plan year under subparagraph (A)—

“(i) such increase shall not result in the amount of such installment exceeding the present value of such installment and all succeeding installments with respect to such base (determined without regard to such increase but after application of clause (ii)), and

“(ii) subsequent shortfall amortization installments with respect to such base shall, in reverse order of the otherwise required installments, be reduced to the extent necessary to limit the present value of such subsequent shortfall amortization installments (after application of this paragraph) to the present value of the remaining unamortized shortfall amortization base.

“(C) INSTALLMENT ACCELERATION AMOUNT.—For purposes of this paragraph, the term ‘installment acceleration amount’ means, with respect to any plan year, the sum of—

“(i) the aggregate amount of excess employee compensation determined under
subparagraph (D) with respect to all employees for the plan year, plus

“(ii) the aggregate amount of extraordinary dividends and redemptions determined under subparagraph (E) for the plan year.

“(D) EXCESS EMPLOYEE COMPENSATION.—For purposes of this paragraph—

“(i) IN GENERAL.—The term ‘excess employee compensation’ means, with respect to any employee for any plan year, the excess (if any) of—

“(I) the aggregate amount includible in income under chapter 1 of the Internal Revenue Code of 1986 for remuneration during the calendar year in which such plan year begins for services performed by the employee for the plan sponsor (whether or not performed during such calendar year), over

“(II) $1,000,000.

“(ii) AMOUNTS SET ASIDE FOR NON-QUALIFIED DEFERRED COMPENSATION.—

If during any calendar year assets are set
aside or reserved (directly or indirectly) in
a trust (or other arrangement as deter-
mined by the Secretary of the Treasury),
or transferred to such a trust or other ar-
range ment, by a plan sponsor for purposes
of paying deferred compensation of an em-
ployee under a nonqualified deferred com-
pensation plan (as defined in section 409A
of such Code) of the plan sponsor, then,
for purposes of clause (i), the amount of
such assets shall be treated as remunera-
tion of the employee includible in income
for the calendar year unless such amount
is otherwise includible in income for such
year. An amount to which the preceding
sentence applies shall not be taken into ac-
count under this paragraph for any subse-
quent calendar year.

“(iii) ONLY REMUNERATION FOR CERT-
TA IN POST-2009 SERVICES COUNTED.—Re-
muneration shall be taken into account
under clause (i) only to the extent attrib-
utable to services performed by the em-
ployee for the plan sponsor after February
4, 2010.
“(iv) Self-employed individual treated as employee.—The term ‘employee’ includes, with respect to a calendar year, a self-employed individual who is treated as an employee under section 401(c) of such Code for the taxable year ending during such calendar year, and the term ‘compensation’ shall include earned income of such individual with respect to such self-employment.

“(v) Indexing of amount.—In the case of any calendar year beginning after 2010, the dollar amount under clause (i)(II) shall be increased by an amount equal to—

“(I) such dollar amount, multiplied by

“(II) the cost-of-living adjustment determined under section 1(f)(3) of such Code for the calendar year, determined by substituting ‘calendar year 2009’ for ‘calendar year 1992’ in subparagraph (B) thereof.

If the amount of any increase under clause (i) is not a multiple of $1,000, such in-
crease shall be rounded to the next lowest multiple of $1,000.

“(E) **EXTRAORDINARY DIVIDENDS AND REDEMPTIONS.**—

“(i) **IN GENERAL.**—The amount determined under this subparagraph for any plan year is the sum of—

“(I) the aggregate amount of extraordinary dividends declared during the plan year by the plan sponsor and required to be reported under section 4043(c)(11) (without regard to any waiver under such section), plus

“(II) if the plan sponsor redeems, in any 12-month period ending during the plan year, an aggregate of 10 percent or more of the total combined voting power of all classes of stock entitled to vote, or an aggregate of 10 percent or more of the total value of shares of all classes of stock, of the plan sponsor, the aggregate fair market value of the stock so redeemed.
“(ii) ONLY CERTAIN POST-2009 DIVIDENDS AND REDEMPTIONS COUNTED.—

For purposes of clause (i)—

“(I) dividends shall be taken into account only if declared after February 4, 2010, and

“(II) if clause (i)(II) otherwise applies for any plan year (determined without regard to this subclause), only the fair market value of redemptions occurring after February 4, 2010, shall be taken into account in determining the amount under such clause for the plan year.

“(F) OTHER DEFINITIONS AND RULES.—

For purposes of this paragraph—

“(i) PLAN SPONSOR.—The term ‘plan sponsor’ includes any member of the plan sponsor’s controlled group (as defined in section 302(d)(3)).

“(ii) ELECTIONS FOR MULTIPLE PLANS.—If a plan sponsor makes elections under paragraph (2)(D) with respect to 2 or more plans, the Secretary of the Treasury shall provide rules for the application
of this paragraph to such plans, including rules for the ratable allocation of any installment acceleration amount among such plans on the basis of each plan’s relative reduction in the plan’s shortfall amortization installment for the first plan year in the amortization period described in subparagraph (A) (determined without regard to this paragraph).”.

(3) CONFORMING AMENDMENTS.—Section 303 of such Act (29 U.S.C. 1083) is amended—

(A) in subsection (c)(1), by striking “the shortfall amortization bases for such plan year and each of the 6 preceding plan years” and inserting “any shortfall amortization base which has not been fully amortized under this subsection”, and

(B) in subsection (j)(3), by adding at the end the following:

“(F) QUARTERLY CONTRIBUTIONS NOT TO INCLUDE CERTAIN INCREASED CONTRIBUTIONS.—Subparagraph (D) shall be applied without regard to any increase under subsection (c)(7).”).
(b) Amendments to Internal Revenue Code of 1986.—

(1) In general.—Paragraph (2) of section 430(c) is amended by adding at the end the following subparagraph:

“(D) Special election for eligible plan years.—

“(i) In general.—If a plan sponsor elects to apply this subparagraph with respect to the shortfall amortization base of a plan for any eligible plan year (in this subparagraph and paragraph (7) referred to as an ‘election year’), then, notwithstanding subparagraphs (A) and (B)—

“(I) the shortfall amortization installments with respect to such base shall be determined under clause (ii) or (iii), whichever is specified in the election, and

“(II) the shortfall amortization installment for any plan year in the 9-plan-year period described in clause (ii) or the 15-plan-year period described in clause (iii), respectively, with respect to such shortfall amorti-
zation base is the annual installment
determined under the applicable
clause for that year for that base.

“(ii) 2 PLUS 7 AMORTIZATION SCHED-
ULE.—The shortfall amortization install-
ments determined under this clause are—

“(I) in the case of the first 2
plan years in the 9-plan-year period
beginning with the election year, in-
terest on the shortfall amortization
base of the plan for the election year
(determined using the effective inter-
est rate for the plan for the election
year), and

“(II) in the case of the last 7
plan years in such 9-plan-year period,
the amounts necessary to amortize the
remaining balance of the shortfall am-
ortization base of the plan for the
election year in level annual install-
ments over such last 7 plan years
(using the segment rates under sub-
paragraph (C) for the election year).

“(iii) 15-YEAR AMORTIZATION.—The
shortfall amortization installments deter-
mined under this subparagraph are the amounts necessary to amortize the short-fall amortization base of the plan for the election year in level annual installments over the 15-plan-year period beginning with the election year (using the segment rates under subparagraph (C) for the election year).

"(iv) Election.—

"(I) In general.—The plan sponsor of a plan may elect to have this subparagraph apply to not more than 2 eligible plan years with respect to the plan, except that in the case of a plan described in section 106 of the Pension Protection Act of 2006, the plan sponsor may only elect to have this subparagraph apply to a plan year beginning in 2011.

"(II) Amortization schedule.—Such election shall specify whether the amortization schedule under clause (ii) or (iii) shall apply to an election year, except that if a plan sponsor elects to have this subpara-
graph apply to 2 eligible plan years, the plan sponsor must elect the same schedule for both years.

“(III) Other rules.—Such election shall be made at such time, and in such form and manner, as shall be prescribed by the Secretary, and may be revoked only with the consent of the Secretary. The Secretary shall, before granting a revocation request, provide the Pension Benefit Guaranty Corporation an opportunity to comment on the conditions applicable to the treatment of any portion of the election year shortfall amortization base that remains unamortized as of the revocation date.

“(v) Eligible plan year.—For purposes of this subparagraph, the term ‘eligible plan year’ means any plan year beginning in 2008, 2009, 2010, or 2011, except that a plan year shall only be treated as an eligible plan year if the due date under subsection (j)(1) for the payment of the minimum required contribution for such
plan year occurs on or after the date of the enactment of this subparagraph.

“(vi) Reporting.—A plan sponsor of a plan who makes an election under clause (i) shall inform the Pension Benefit Guaranty Corporation of such election in such form and manner as the Director of the Pension Benefit Guaranty Corporation may prescribe.

“(vii) Increases in required installments in certain cases.—For increases in required contributions in cases of excess compensation or extraordinary dividends or stock redemptions, see paragraph (7).”.

(2) Increases in required contributions if excess compensation paid.—Section 430(c) is amended by adding at the end the following paragraph:

“(7) Increases in alternate required installments in cases of excess compensation or extraordinary dividends or stock redemptions.—

“(A) In general.—If there is an installment acceleration amount with respect to a
plan for any plan year in the 9-plan-year or 15-
plan-year period, whichever is applicable, with
respect to an election year under paragraph
(2)(D), then the shortfall amortization install-
ment otherwise determined and payable under
such paragraph for such payment year shall,
subject to the limitation under subparagraph
(B), be increased by such amount.

“(B) TOTAL INSTALLMENTS LIMITED TO
SHORTFALL BASE.—Subject to rules prescribed
by the Secretary, if a shortfall amortization in-
stallment with respect to any shortfall amorti-
zation base for an election year is required to
be increased for any plan year under subpara-
graph (A)—

“(i) such increase shall not result in
the amount of such installment exceeding
the present value of such installment and
all succeeding installments with respect to
such base (determined without regard to
such increase but after application of
clause (ii)), and

“(ii) subsequent shortfall amortization
installments with respect to such base
shall, in reverse order of the otherwise re-
quired installments, be reduced to the ex-
tent necessary to limit the present value of
such subsequent shortfall amortization in-
stallments (after application of this para-
graph) to the present value of the remain-
ing unamortized shortfall amortization
base.

“(C) Installment Acceleration
Amount.—For purposes of this paragraph, the
term ‘installment acceleration amount’ means,
with respect to any plan year, the sum of—

“(i) the aggregate amount of excess
employee compensation determined under
subparagraph (D) with respect to all em-
ployees for the plan year, plus

“(ii) the aggregate amount of extraor-
dinary dividends and redemptions deter-
mined under subparagraph (E) for the
plan year.

“(D) Excess Employee Compensation.—For purposes of this paragraph—

“(i) In General.—The term ‘excess
employee compensation’ means, with re-
spect to any employee for any plan year,
the excess (if any) of—
“(I) the aggregate amount includible in income under this chapter for remuneration during the calendar year in which such plan year begins for services performed by the employee for the plan sponsor (whether or not performed during such calendar year), over

“(II) $1,000,000.

“(ii) Amounts set aside for non-qualified deferred compensation.—If during any calendar year assets are set aside or reserved (directly or indirectly) in a trust (or other arrangement as determined by the Secretary), or transferred to such a trust or other arrangement, by a plan sponsor for purposes of paying deferred compensation of an employee under a nonqualified deferred compensation plan (as defined in section 409A) of the plan sponsor, then, for purposes of clause (i), the amount of such assets shall be treated as remuneration of the employee includible in income for the calendar year unless such amount is otherwise includible in income
for such year. An amount to which the preceding sentence applies shall not be taken into account under this paragraph for any subsequent calendar year.

“(iii) Only remuneration for certain post-2009 services counted.—Remuneration shall be taken into account under clause (i) only to the extent attributable to services performed by the employee for the plan sponsor after February 4, 2010.

“(iv) Self-employed individual treated as employee.—The term ‘employee’ includes, with respect to a calendar year, a self-employed individual who is treated as an employee under section 401(c) for the taxable year ending during such calendar year, and the term ‘compensation’ shall include earned income of such individual with respect to such self-employment.

“(v) Indexing of amount.—In the case of any calendar year beginning after 2010, the dollar amount under clause
(i)(II) shall be increased by an amount equal to—

"(I) such dollar amount, multiplied by

"(II) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year, determined by substituting 'calendar year 2009' for 'calendar year 1992' in subparagraph (B) thereof.

If the amount of any increase under clause (i) is not a multiple of $1,000, such increase shall be rounded to the next lowest multiple of $1,000.

"(E) EXTRAORDINARY DIVIDENDS AND REDEMPTIONS.—

"(i) IN GENERAL.—The amount determined under this subparagraph for any plan year is the sum of—

"(I) the aggregate amount of extraordinary dividends declared during the plan year by the plan sponsor and required to be reported under section 4043(c)(11) of the Employee Retirement Income Security Act of 1974
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(without regard to any waiver under
such section), plus

“(II) if the plan sponsor redeems, in any 12-month period ending
during the plan year, an aggregate of
10 percent or more of the total com-
bined voting power of all classes of
stock entitled to vote, or an aggregate
of 10 percent or more of the total
value of shares of all classes of stock,
of the plan sponsor, the aggregate fair
market value of the stock so redeemed.

“(ii) ONLY CERTAIN POST-2009 DIVI-
DENDS AND REDEMPTIONS COUNTED.—
For purposes of clause (i)—

“(I) dividends shall be taken into
account only if declared after Feb-
ruary 4, 2010, and

“(II) if clause (i)(II) otherwise
applies for any plan year (determined
without regard to this subclause), only
the fair market value of redemptions
occurring after February 4, 2010,
shall be taken into account in deter-
mining the amount under such clause
for the plan year.

“(F) Other definitions and rules.—
For purposes of this paragraph—

“(i) Plan sponsor.—The term ‘plan
sponsor’ includes any member of the plan
sponsor’s controlled group (as defined in
section 412(d)(3)).

“(ii) Elections for multiple plans.—If a plan sponsor makes elections
under paragraph (2)(D) with respect to 2
or more plans, the Secretary shall provide
rules for the application of this paragraph
to such plans, including rules for the rat-
able allocation of any installment accelera-
tion amount among such plans on the
basis of each plan’s relative reduction in
the plan’s shortfall amortization installment
for the first plan year in the amorti-
ization period described in subparagraph
(A) (determined without regard to this
paragraph).”.

(3) Conforming amendments.—Section 430
is amended—
(A) in subsection (c)(1), by striking “the shortfall amortization bases for such plan year and each of the 6 preceding plan years” and inserting “any shortfall amortization base which has not been fully amortized under this subsection”, and

(B) in subsection (j)(3), by adding at the end the following:

“(F) QUARTERLY CONTRIBUTIONS NOT TO INCLUDE CERTAIN INCREASED CONTRIBUTIONS.—Subparagraph (D) shall be applied without regard to any increase under subsection (c)(7).”.

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

SEC. 702. APPLICATION OF EXTENDED AMORTIZATION PERIOD TO PLANS SUBJECT TO PRIOR LAW FUNDING RULES.

(a) IN GENERAL.—Title I of the Pension Protection Act of 2006 is amended by redesignating section 107 as section 108 and by inserting the following after section 106:
SEC. 107. APPLICATION OF EXTENDED AMORTIZATION PERIODS TO PLANS WITH DELAYED EFFECTIVE DATE.

“(a) In General.—If the plan sponsor of a plan to which section 104, 105, or 106 of this Act applies elects to have this section apply for any eligible plan year (in this section referred to as an ‘election year’), section 302 of the Employee Retirement Income Security Act of 1974 and section 412 of the Internal Revenue Code of 1986 (as in effect before the amendments made by this subtitle and subtitle B) shall apply to such year in the manner described in subsection (b) or (c), whichever is specified in the election. All references in this section to ‘such Act’ or ‘such Code’ shall be to such Act or such Code as in effect before the amendments made by this subtitle and subtitle B.

“(b) Application of 2 and 7 Rule.—In the case of an election year to which this subsection applies—

“(1) 2-Year Lookback for Determining Deficit Reduction Contributions for Certain Plans.—For purposes of applying section 302(d)(9) of such Act and section 412(l)(9) of such Code, the funded current liability percentage (as defined in subparagraph (C) thereof) for such plan for such plan year shall be such funded current liability per-
percentage of such plan for the second plan year pre-
ceeding the first election year of such plan.

“(2) Calculation of deficit reduction
contribution.—For purposes of applying section
302(d) of such Act and section 412(l) of such Code
to a plan to which such sections apply (after taking
into account paragraph (1))—

“(A) in the case of the increased unfunded
new liability of the plan, the applicable percent-
age described in section 302(d)(4)(C) of such
Act and section 412(l)(4)(C) of such Code shall
be the third segment rate described in sections
104(b), 105(b), and 106(b) of this Act, and

“(B) in the case of the excess of the un-
funded new liability over the increased un-
funded new liability, such applicable percentage
shall be determined without regard to this sec-
tion.

“(c) Application of 15-year amortization.—In
the case of an election year to which this subsection ap-
plies, for purposes of applying section 302(d) of such Act
and section 412(l) of such Code—

“(1) in the case of the increased unfunded new
liability of the plan, the applicable percentage de-
scribed in section 302(d)(4)(C) of such Act and sec-
tion 412(l)(4)(C) of such Code for any pre-effective date plan year beginning with or after the first election year shall be the ratio of—

“(A) the annual installments payable in each year if the increased unfunded new liability for such plan year were amortized over 15 years, using an interest rate equal to the third segment rate described in sections 104(b), 105(b), and 106(b) of this Act, to

“(B) the increased unfunded new liability for such plan year, and

“(2) in the case of the excess of the unfunded new liability over the increased unfunded new liability, such applicable percentage shall be determined without regard to this section.

“(d) ELECTION.—

“(1) IN GENERAL.—The plan sponsor of a plan may elect to have this section apply to not more than 2 eligible plan years with respect to the plan, except that in the case of a plan to which section 106 of this Act applies, the plan sponsor may only elect to have this section apply to 1 eligible plan year.

“(2) AMORTIZATION SCHEDULE.—Such election shall specify whether the rules under subsection (b)
or (c) shall apply to an election year, except that if
a plan sponsor elects to have this section apply to
2 eligible plan years, the plan sponsor must elect the
same rule for both years.

“(3) OTHER RULES.—Such election shall be
made at such time, and in such form and manner,
as shall be prescribed by the Secretary of the Treas-
ury, and may be revoked only with the consent of
the Secretary of the Treasury.

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

“(1) ELIGIBLE PLAN YEAR.—For purposes of
this subparagraph, the term ‘eligible plan year’
means any plan year beginning in 2008, 2009, 2010,
or 2011, except that a plan year beginning in 2008
shall only be treated as an eligible plan year if the
due date for the payment of the minimum required
contribution for such plan year occurs on or after
the date of the enactment of this clause.

“(2) PRE-EFFECTIVE DATE PLAN YEAR.—The
term ‘pre-effective date plan year’ means, with re-
spect to a plan, any plan year prior to the first year
in which the amendments made by this subtitle and
subtitle B apply to the plan.

“(3) INCREASED UNFUNDED NEW LIABILITY.—
The term ‘increased unfunded new liability’ means,
with respect to a year, the excess (if any) of the unfunded new liability over the amount of unfunded new liability determined as if the value of the plan’s assets determined under subsection 302(c)(2) of such Act and section 412(c)(2) of such Code equaled the product of the current liability of the plan for the year multiplied by the funded current liability percentage (as defined in section 302(d)(8)(B) of such Act and 412(l)(8)(B) of such Code) of the plan for the second plan year preceding the first election year of such plan.

“(4) OTHER DEFINITIONS.—The terms ‘unfunded new liability’ and ‘current liability’ shall have the meanings set forth in section 302(d) of such Act and section 412(l) of such Code.”.

(b) ELIGIBLE CHARITY PLANS.—Section 104 of the Pension Protection Act of 2006 is amended—

(1) by striking “eligible cooperative plan” wherever it appears in subsections (a) and (b) and inserting “eligible cooperative plan or an eligible charity plan”, and

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

“(d) ELIGIBLE CHARITY PLAN DEFINED.—For purposes of this section, a plan shall be treated as an eligible
charity plan for a plan year if the plan is maintained by more than one employer and 100 percent of the employers are described in section 501(c)(3) of such Code.”

(c) Effective Date.—

(1) In general.—The amendment made by subsection (a) shall take effect as if included in the Pension Protection Act of 2006.

(2) Eligible charity plan.—The amendments made by subsection (b) shall apply to plan years beginning after December 31, 2007, except that a plan sponsor may elect to apply such amendments to plan years beginning after December 31, 2008. Any such election shall be made at such time, and in such form and manner, as shall be prescribed by the Secretary of the Treasury, and may be revoked only with the consent of the Secretary of the Treasury.

SEC. 703. LOOKBACK FOR BENEFIT ACCRUAL RESTRICTION.

(a) Amendment to ERISA.—Section 206(g)(4) of the Employee Retirement Income Security Act of 1974 is amended by adding at the end the following:

“(C) Special rule for certain years.—Solely for purposes of this paragraph—
“(i) IN GENERAL.—For plan years beginning on or after October 1, 2008, and before October 1, 2010, the adjusted funding target attainment percentage of a plan shall be the greater of—

“(I) such percentage, as determined without regard to this subparagraph, or

“(II) the adjusted funding target attainment percentage for such plan for the plan year beginning after October 1, 2007, and before October 1, 2008, as determined under rules prescribed by the Secretary of the Treasury.

“(ii) SPECIAL RULE.—In the case of a plan for which the valuation date is not the first day of the plan year—

“(I) clause (i) shall apply to plan years beginning after December 31, 2007, and before January 1, 2010, and

“(II) clause (i)(II) shall apply based on the last plan year beginning before November 1, 2007, as deter-
mined under rules prescribed by the Secretary of the Treasury.”.

(b) Amendment to Internal Revenue Code of 1986.—Section 436(e) of the Internal Revenue Code of 1986 is amended by adding at the end the following:

“(3) Special rule for certain years.—

Solely for purposes of this subsection—

“(A) In general.—For plan years beginning on or after October 1, 2008, and before October 1, 2010, the adjusted funding target attainment percentage of a plan shall be the greater of—

“(i) such percentage, as determined without regard to this paragraph, or

“(ii) the adjusted funding target attainment percentage for such plan for the plan year beginning after October 1, 2007, and before October 1, 2008, as determined under rules prescribed by the Secretary.

“(B) Special rule.—In the case of a plan for which the valuation date is not the first day of the plan year—

“(i) subparagraph (A) shall apply to plan years beginning after December 31, 2007, and before January 1, 2010, and
“(ii) subparagraph (A)(ii) shall apply based on the last plan year beginning before November 1, 2007, as determined under rules prescribed by the Secretary.”.

(c) INTERACTION WITH WRERA RULE.—Section 203 of the Worker, Retiree, and Employer Recovery Act of 2008 shall apply to a plan for any plan year in lieu of the amendments made by this section only to the extent that such section produces a higher adjusted funding target attainment percentage for such plan for such year.

(d) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to plan years beginning on or after October 1, 2008.

(2) SPECIAL RULE.—In the case of a plan for which the valuation date is not the first day of the plan year, the amendments made by this section shall apply to plan years beginning after December 31, 2007.

Subtitle B—Multiemployer Plans

SEC. 711. ADJUSTMENTS TO FUNDING STANDARD ACCOUNT RULES.

(a) ADJUSTMENTS.—
(1) Amendment to ERISA.—Section 304(b) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1084(b)) is amended by adding at the end the following new paragraph:

“(8) Special relief rules.—Notwithstanding any other provision of this subsection—

“(A) Amortization of net investment losses.—

“(i) In general.—A multiemployer plan with respect to which the solvency test under subparagraph (C) is met may treat the portion of its experience loss attributable to the net investment losses (if any) incurred in either or both of the first two plan years beginning after August 31, 2008, as an item separate from other experience losses, to be amortized in equal annual installments (until fully amortized) over a period of 30 plan years.

“(ii) No extension allowed.—If this subparagraph applies for any plan year, no extension of the amortization period under clause (i) shall be allowed under subsection (d).
“(iii) NET INVESTMENT LOSSES.—For purposes of this subparagraph—

“(I) IN GENERAL.—Net investment losses shall be determined in the manner prescribed by the Secretary of the Treasury on the basis of the difference between actual and expected returns (including any difference attributable to any criminally fraudulent investment arrangement).

“(II) CRIMINALLY FRAUDULENT INVESTMENT ARRANGEMENTS.—The determination as to whether an arrangement is a criminally fraudulent investment arrangement shall be made under rules substantially similar to the rules prescribed by the Secretary of the Treasury for purposes of section 165 of the Internal Revenue Code of 1986.

“(B) EXPANDED SMOOTHING PERIOD.—

“(i) IN GENERAL.—A multiemployer plan with respect to which the solvency test under subparagraph (C) is met may
change its asset valuation method in a manner which—

“(I) spreads the difference between expected and actual returns for either or both of the first 2 plan years beginning after August 31, 2008, over a period of not more than 10 years,

“(II) provides that for either or both of such 2 plan years the value of plan assets at any time shall not be less than 80 percent or greater than 130 percent of the fair market value of such assets at such time, or

“(III) makes both changes described in subclauses (I) and (II) to such method.

“(ii) Asset Valuation Methods.— If this subparagraph applies for any plan year—

“(I) the Secretary of the Treasury shall not treat the asset valuation method of the plan as unreasonable solely because of the changes in such method described in clause (i), and
“(II) such changes shall be deemed approved by such Secretary under section 302(d)(1) and section 412(d)(1) of such Code.

“(iii) Amortization of reduction in unfunded accrued liability.—If this subparagraph and subparagraph (A) both apply for any plan year, the plan shall treat any reduction in unfunded accrued liability resulting from the application of this subparagraph as a separate experience amortization base, to be amortized in equal annual installments (until fully amortized) over a period of 30 plan years rather than the period such liability would otherwise be amortized over.

“(C) Solvency test.—The solvency test under this paragraph is met only if the plan actuary certifies that the plan is projected to have sufficient assets to timely pay expected benefits and anticipated expenditures over the amortization period, taking into account the changes in the funding standard account under this paragraph.
“(D) Restriction on benefit increases.—If subparagraph (A) or (B) apply to a multiemployer plan for any plan year, then, in addition to any other applicable restrictions on benefit increases, a plan amendment increasing benefits may not go into effect during either of the 2 plan years immediately following such plan year unless—

“(i) the plan actuary certifies that—

“(I) any such increase is paid for out of additional contributions not allocated to the plan immediately before the application of this paragraph to the plan, and

“(II) the plan’s funded percentage and projected credit balances for such 2 plan years are reasonably expected to be substantially the same as such percentage and balances would have been if the benefit increase had not been adopted, or

“(ii) the amendment is required as a condition of qualification under part I of subchapter D of chapter 1 of the Internal
Revenue Code of 1986 or to comply with other applicable law.

“(E) REPORTING.—A plan sponsor of a plan to which this paragraph applies shall inform the Pension Benefit Guaranty Corporation of such application in such form and manner as the Director of the Pension Benefit Guaranty Corporation may prescribe.”.

(2) Amendment to Internal Revenue Code of 1986.—Section 431(b) is amended by adding at the end the following new paragraph:

“(8) SPECIAL RELIEF RULES.—Notwithstanding any other provision of this subsection—

“(A) AMORTIZATION OF NET INVESTMENT LOSSES.—

“(i) IN GENERAL.—A multiemployer plan with respect to which the solvency test under subparagraph (C) is met may treat the portion of its experience loss attributable to the net investment losses (if any) incurred in either or both of the first two plan years beginning after August 31, 2008, as an item separate from other experience losses, to be amortized in equal an-
annual installments (until fully amortized) over a period of 30 plan years.

“(ii) No extension allowed.—If this subparagraph applies for any plan year, no extension of the amortization period under clause (i) shall be allowed under subsection (d).

“(iii) Net investment losses.—For purposes of this subparagraph—

“(I) In general.—Net investment losses shall be determined in the manner prescribed by the Secretary on the basis of the difference between actual and expected returns (including any difference attributable to any criminally fraudulent investment arrangement).

“(II) Criminally fraudulent investment arrangements.—The determination as to whether an arrangement is a criminally fraudulent investment arrangement shall be made under rules substantially similar to the rules prescribed by the Secretary for purposes of section 165.
“(B) Expanded smoothing period.—

“(i) In general.—A multiemployer plan with respect to which the solvency test under subparagraph (C) is met may change its asset valuation method in a manner which—

“(I) spreads the difference between expected and actual returns for either or both of the first 2 plan years beginning after August 31, 2008, over a period of not more than 10 years,

“(II) provides that for either or both of such 2 plan years the value of plan assets at any time shall not be less than 80 percent or greater than 130 percent of the fair market value of such assets at such time, or

“(III) makes both changes described in subclauses (I) and (II) to such method.

“(ii) Asset valuation methods.—

If this subparagraph applies for any plan year—

“(I) the Secretary shall not treat the asset valuation method of the plan

...
as unreasonable solely because of the changes in such method described in clause (i), and

“(II) such changes shall be deemed approved by the Secretary under section 302(d)(1) of the Employee Retirement Income Security Act of 1974 and section 412(d)(1).”

“(iii) AMORTIZATION OF REDUCTION IN UNFUNDED ACCRUED LIABILITY.—If this subparagraph and subparagraph (A) both apply for any plan year, the plan shall treat any reduction in unfunded accrued liability resulting from the application of this subparagraph as a separate experience amortization base, to be amortized in equal annual installments (until fully amortized) over a period of 30 plan years rather than the period such liability would otherwise be amortized over.

“(C) SOLVENCY TEST.—The solvency test under this paragraph is met only if the plan actuary certifies that the plan is projected to have sufficient assets to timely pay expected benefits and anticipated expenditures over the amortiza-
tion period, taking into account the changes in the funding standard account under this para-
graph.

“(D) Restriction on benefit in-
creases.—If subparagraph (A) or (B) apply to a multiemployer plan for any plan year, then, in addition to any other applicable restrictions on benefit increases, a plan amendment increasing benefits may not go into effect during either of the 2 plan years immediately following such plan year unless—

“(i) the plan actuary certifies that—

“(I) any such increase is paid for out of additional contributions not al-
located to the plan immediately before the application of this paragraph to the plan, and

“(II) the plan’s funded percent-
age and projected credit balances for such 2 plan years are reasonably ex-
pected to be substantially the same as such percentage and balances would have been if the benefit increase had not been adopted, or
“(ii) the amendment is required as a condition of qualification under part I of subchapter D or to comply with other applicable law.

“(E) REPORTING.—A plan sponsor of a plan to which this paragraph applies shall inform the Pension Benefit Guaranty Corporation of such application in such form and manner as the Director of the Pension Benefit Guaranty Corporation may prescribe.”.

(b) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section shall take effect as of the first day of the first plan year beginning after August 31, 2008, except that any election a plan makes pursuant to this section that affects the plan’s funding standard account for the first plan year beginning after August 31, 2008, shall be disregarded for purposes of applying the provisions of section 305 of the Employee Retirement Income Security Act of 1974 and section 432 of the Internal Revenue Code of 1986 to such plan year.

(2) RESTRICTIONS ON BENEFIT INCREASES.—Notwithstanding paragraph (1), the restrictions on plan amendments increasing benefits in sections
304(b)(8)(D) of such Act and 431(b)(8)(D) of such Code, as added by this section, shall take effect on the date of enactment of this Act.

TITLE VIII—OFFSET PROVISIONS
Subtitle A—Foreign Account Tax Compliance

PART I—INCREASED DISCLOSURE OF BENEFICIAL OWNERS

SEC. 801. REPORTING ON CERTAIN FOREIGN ACCOUNTS.

(a) In general.—The Internal Revenue Code of 1986 is amended by inserting after chapter 3 the following new chapter:

“CHAPTER 4—TAXES TO ENFORCE REPORTING ON CERTAIN FOREIGN ACCOUNTS

“Sec. 1471. Withholdable payments to foreign financial institutions.
“Sec. 1472. Withholdable payments to other foreign entities.
“Sec. 1473. Definitions.
“Sec. 1474. Special rules.

“SEC. 1471. WITHHOLDABLE PAYMENTS TO FOREIGN FINANCIAL INSTITUTIONS.

“(a) In general.—In the case of any withholdable payment to a foreign financial institution which does not meet the requirements of subsection (b), the withholding agent with respect to such payment shall deduct and withhold from such payment a tax equal to 30 percent of the amount of such payment.
(b) Reporting Requirements, etc.—

(1) In general.—The requirements of this subsection are met with respect to any foreign financial institution if an agreement is in effect between such institution and the Secretary under which such institution agrees—

(A) to obtain such information regarding each holder of each account maintained by such institution as is necessary to determine which (if any) of such accounts are United States accounts,

(B) to comply with such verification and due diligence procedures as the Secretary may require with respect to the identification of United States accounts,

(C) in the case of any United States account maintained by such institution, to report on an annual basis the information described in subsection (c) with respect to such account,

(D) to deduct and withhold a tax equal to 30 percent of—

(i) any passthru payment which is made by such institution to a recalcitrant account holder or another foreign financial
institution which does not meet the requirements of this subsection, and

“(ii) in the case of any passthru payment which is made by such institution to a foreign financial institution which has in effect an election under paragraph (3) with respect to such payment, so much of such payment as is allocable to accounts held by recalcitrant account holders or foreign financial institutions which do not meet the requirements of this subsection,

“(E) to comply with requests by the Secretary for additional information with respect to any United States account maintained by such institution, and

“(F) in any case in which any foreign law would (but for a waiver described in clause (i)) prevent the reporting of any information referred to in this subsection or subsection (c) with respect to any United States account maintained by such institution—

“(i) to attempt to obtain a valid and effective waiver of such law from each holder of such account, and
“(ii) if a waiver described in clause (i) is not obtained from each such holder within a reasonable period of time, to close such account. Any agreement entered into under this subsection may be terminated by the Secretary upon a determination by the Secretary that the foreign financial institution is out of compliance with such agreement.

“(2) Financial institutions deemed to meet requirements in certain cases.—A foreign financial institution may be treated by the Secretary as meeting the requirements of this subsection if—

“(A) such institution—

“(i) complies with such procedures as the Secretary may prescribe to ensure that such institution does not maintain United States accounts, and

“(ii) meets such other requirements as the Secretary may prescribe with respect to accounts of other foreign financial institutions maintained by such institution, or

“(B) such institution is a member of a class of institutions with respect to which the Secretary has determined that the application
of this section is not necessary to carry out the purposes of this section.

“(3) Election to be withheld upon rather than withhold on payments to recalcitrant account holders and nonparticipating foreign financial institutions.—In the case of a foreign financial institution which meets the requirements of this subsection and such other requirements as the Secretary may provide and which elects the application of this paragraph—

“(A) the requirements of paragraph (1)(D) shall not apply,

“(B) the withholding tax imposed under subsection (a) shall apply with respect to any withholdable payment to such institution to the extent such payment is allocable to accounts held by recalcitrant account holders or foreign financial institutions which do not meet the requirements of this subsection, and

“(C) the agreement described in paragraph (1) shall—

“(i) require such institution to notify the withholding agent with respect to each such payment of the institution’s election under this paragraph and such other infor-
information as may be necessary for the withholding agent to determine the appropriate amount to deduct and withhold from such payment, and

“(ii) include a waiver of any right under any treaty of the United States with respect to any amount deducted and withheld pursuant to an election under this paragraph.

To the extent provided by the Secretary, the election under this paragraph may be made with respect to certain classes or types of accounts of the foreign financial institution.

“(c) Information Required To Be Reported On United States Accounts.—

“(1) In General.—The agreement described in subsection (b) shall require the foreign financial institution to report the following with respect to each United States account maintained by such institution:

“(A) The name, address, and TIN of each account holder which is a specified United States person and, in the case of any account holder which is a United States owned foreign
entity, the name, address, and TIN of each substantial United States owner of such entity.

“(B) The account number.

“(C) The account balance or value (determined at such time and in such manner as the Secretary may provide).

“(D) Except to the extent provided by the Secretary, the gross receipts and gross withdrawals or payments from the account (determined for such period and in such manner as the Secretary may provide).

“(2) Election to be subject to same reporting as United States financial institutions.—In the case of a foreign financial institution which elects the application of this paragraph—

“(A) subparagraphs (C) and (D) of paragraph (1) shall not apply, and

“(B) the agreement described in subsection (b) shall require such foreign financial institution to report such information with respect to each United States account maintained by such institution as such institution would be required to report under sections 6041, 6042, 6045, and 6049 if—
“(i) such institution were a United States person, and

“(ii) each holder of such account which is a specified United States person or United States owned foreign entity were a natural person and citizen of the United States.

An election under this paragraph shall be made at such time, in such manner, and subject to such conditions as the Secretary may provide.

“(3) SEPARATE REQUIREMENTS FOR QUALIFIED INTERMEDIARIES.—In the case of a foreign financial institution which is treated as a qualified intermediary by the Secretary for purposes of section 1441 and the regulations issued thereunder, the requirements of this section shall be in addition to any reporting or other requirements imposed by the Secretary for purposes of such treatment.

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

“(1) UNITED STATES ACCOUNT.—

“(A) IN GENERAL.—The term ‘United States account’ means any financial account which is held by one or more specified United States persons or United States owned foreign entities.
“(B) Exception for certain accounts held by individuals.—Unless the foreign financial institution elects to not have this subparagraph apply, such term shall not include any depository account maintained by such financial institution if—

“(i) each holder of such account is a natural person, and

“(ii) with respect to each holder of such account, the aggregate value of all depository accounts held (in whole or in part) by such holder and maintained by the same financial institution which maintains such account does not exceed $50,000.

To the extent provided by the Secretary, financial institutions which are members of the same expanded affiliated group shall be treated for purposes of clause (ii) as a single financial institution.

“(C) Elimination of duplicative reporting requirements.—Such term shall not include any financial account in a foreign financial institution if—
“(i) such account is held by another financial institution which meets the requirements of subsection (b), or

“(ii) the holder of such account is otherwise subject to information reporting requirements which the Secretary determines would make the reporting required by this section with respect to United States accounts duplicative.

“(2) FINANCIAL ACCOUNT.—Except as otherwise provided by the Secretary, the term ‘financial account’ means, with respect to any financial institution—

“(A) any depository account maintained by such financial institution,

“(B) any custodial account maintained by such financial institution, and

“(C) any equity or debt interest in such financial institution (other than interests which are regularly traded on an established securities market).

Any equity or debt interest which constitutes a financial account under subparagraph (C) with respect to any financial institution shall be treated for
purposes of this section as maintained by such financial institution.

“(3) United States owned foreign entity.—The term ‘United States owned foreign entity’ means any foreign entity which has one or more substantial United States owners.

“(4) Foreign financial institution.—The term ‘foreign financial institution’ means any financial institution which is a foreign entity. Except as otherwise provided by the Secretary, such term shall not include a financial institution which is organized under the laws of any possession of the United States.

“(5) Financial institution.—Except as otherwise provided by the Secretary, the term ‘financial institution’ means any entity that—

“(A) accepts deposits in the ordinary course of a banking or similar business,

“(B) as a substantial portion of its business, holds financial assets for the account of others, or

“(C) is engaged (or holding itself out as being engaged) primarily in the business of investing, reinvesting, or trading in securities (as defined in section 475(c)(2) without regard to
the last sentence thereof), partnership interests,
commodities (as defined in section 475(e)(2)),
or any interest (including a futures or forward
contract or option) in such securities, partner-
ship interests, or commodities.

“(6) Recalcitrant account holder.—The
term ‘recalcitrant account holder’ means any ac-
count holder which—

“(A) fails to comply with reasonable re-
quests for the information referred to in sub-
section (b)(1)(A) or (c)(1)(A), or

“(B) fails to provide a waiver described in
subsection (b)(1)(F) upon request.

“(7) Passthru payment.—The term ‘passthru
payment’ means any withholdable payment or other
payment to the extent attributable to a withholdable
payment.

“(e) Affiliated Groups.—

“(1) In general.—The requirements of sub-
sections (b) and (c)(1) shall apply—

“(A) with respect to United States ac-
counts maintained by the foreign financial insti-
tution, and

“(B) except as otherwise provided by the
Secretary, with respect to United States ac-
counts maintained by each other foreign financial institution (other than any foreign financial institution which meets the requirements of subsection (b)) which is a member of the same expanded affiliated group as such foreign financial institution.

“(2) EXPANDED AFFILIATED GROUP.—For purposes of this section, the term ‘expanded affiliated group’ means an affiliated group as defined in section 1504(a), determined—

“(A) by substituting ‘more than 50 percent’ for ‘at least 80 percent’ each place it appears, and

“(B) without regard to paragraphs (2) and (3) of section 1504(b).

A partnership or any other entity (other than a corporation) shall be treated as a member of an expanded affiliated group if such entity is controlled (within the meaning of section 954(d)(3)) by members of such group (including any entity treated as a member of such group by reason of this sentence).

“(f) EXCEPTION FOR CERTAIN PAYMENTS.—Subsection (a) shall not apply to any payment to the extent that the beneficial owner of such payment is—
“(1) any foreign government, any political subdivision of a foreign government, or any wholly owned agency or instrumentality of any one or more of the foregoing,

“(2) any international organization or any wholly owned agency or instrumentality thereof,

“(3) any foreign central bank of issue, or

“(4) any other class of persons identified by the Secretary for purposes of this subsection as posing a low risk of tax evasion.

“SEC. 1472. WITHHOLDABLE PAYMENTS TO OTHER FOREIGN ENTITIES.

“(a) IN GENERAL.—In the case of any withholdable payment to a non-financial foreign entity, if—

“(1) the beneficial owner of such payment is such entity or any other non-financial foreign entity, and

“(2) the requirements of subsection (b) are not met with respect to such beneficial owner,

then the withholding agent with respect to such payment shall deduct and withhold from such payment a tax equal to 30 percent of the amount of such payment.

“(b) REQUIREMENTS FOR WAIVER OF WITHHOLDING.—The requirements of this subsection are met with respect to the beneficial owner of a payment if—
“(1) such beneficial owner or the payee provides
the withholding agent with either—

“(A) a certification that such beneficial
owner does not have any substantial United
States owners, or

“(B) the name, address, and TIN of each
substantial United States owner of such bene-
ficial owner,

“(2) the withholding agent does not know, or
have reason to know, that any information provided
under paragraph (1) is incorrect, and

“(3) the withholding agent reports the informa-
tion provided under paragraph (1)(B) to the Sec-
etary in such manner as the Secretary may provide.

“(c) EXCEPTIONS.—Subsection (a) shall not apply
to—

“(1) except as otherwise provided by the Sec-
etary, any payment beneficially owned by—

“(A) any corporation the stock of which is
regularly traded on an established securities
market,

“(B) any corporation which is a member of
the same expanded affiliated group (as defined
in section 1471(e)(2) without regard to the last
sentence thereof) as a corporation described in subparagraph (A),

“(C) any entity which is organized under the laws of a possession of the United States and which is wholly owned by one or more bona fide residents (as defined in section 937(a)) of such possession,

“(D) any foreign government, any political subdivision of a foreign government, or any wholly owned agency or instrumentality of any one or more of the foregoing,

“(E) any international organization or any wholly owned agency or instrumentality thereof,

“(F) any foreign central bank of issue, or

“(G) any other class of persons identified by the Secretary for purposes of this subsection, and

“(2) any class of payments identified by the Secretary for purposes of this subsection as posing a low risk of tax evasion.

“(d) NON-FINANCIAL FOREIGN ENTITY.—For purposes of this section, the term ‘non-financial foreign entity’ means any foreign entity which is not a financial institution (as defined in section 1471(d)(5)).
"SEC. 1473. DEFINITIONS.

"For purposes of this chapter—

"(1) Withholdable payment.—Except as otherwise provided by the Secretary—

"(A) In general.—The term ‘withholdable payment’ means—

"(i) any payment of interest (including any original issue discount), dividends, rents, salaries, wages, premiums, annuities, compensations, remunerations, emoluments, and other fixed or determinable annual or periodical gains, profits, and income, if such payment is from sources within the United States, and

"(ii) any gross proceeds from the sale or other disposition of any property of a type which can produce interest or dividends from sources within the United States.

"(B) Exception for income connected with United States business.—Such term shall not include any item of income which is taken into account under section 871(b)(1) or 882(a)(1) for the taxable year.

"(C) Special rule for sourcing interest paid by foreign branches of domestic
FINANCIAL INSTITUTIONS.—Subparagraph (B)
of section 861(a)(1) shall not apply.

“(2) SUBSTANTIAL UNITED STATES OWNER.—

“(A) IN GENERAL.—The term ‘substantial
United States owner’ means—

“(i) with respect to any corporation,
any specified United States person which
owns, directly or indirectly, more than 10
percent of the stock of such corporation
(by vote or value),

“(ii) with respect to any partnership,
any specified United States person which
owns, directly or indirectly, more than 10
percent of the profits interests or capital
interests in such partnership, and

“(iii) in the case of a trust—

“(I) any specified United States
person treated as an owner of any
portion of such trust under subpart E
of part I of subchapter J of chapter
1, and

“(II) to the extent provided by
the Secretary in regulations or other
guidance, any specified United States
person which holds, directly or indi-
rectly, more than 10 percent of the
beneficial interests of such trust.

“(B) Special rule for investment ve-
hicles.—In the case of any financial institu-
tion described in section 1471(d)(5)(C), clauses
(i), (ii), and (iii) of subparagraph (A) shall be
applied by substituting ‘0 percent’ for ‘10 per-
cent’.

“(3) Specified United States person.—Ex-
cept as otherwise provided by the Secretary, the
term ‘specified United States person’ means any
United States person other than—

“(A) any corporation the stock of which is
regularly traded on an established securities
market,

“(B) any corporation which is a member of
the same expanded affiliated group (as defined
in section 1471(e)(2) without regard to the last
sentence thereof) as a corporation the stock of
which is regularly traded on an established se-
curities market,

“(C) any organization exempt from tax-
ation under section 501(a) or an individual re-
tirement plan,
“(D) the United States or any wholly
owned agency or instrumentality thereof,

“(E) any State, the District of Columbia,
any possession of the United States, any polit-
ical subdivision of any of the foregoing, or any
wholly owned agency or instrumentality of any
one or more of the foregoing,

“(F) any bank (as defined in section 581),

“(G) any real estate investment trust (as
defined in section 856),

“(H) any regulated investment company
(as defined in section 851),

“(I) any common trust fund (as defined in
section 584(a)), and

“(J) any trust which—

“(i) is exempt from tax under section
664(c), or

“(ii) is described in section
4947(a)(1).

“(4) WITHHOLDING AGENT.—The term ‘with-
holding agent’ means all persons, in whatever capac-
ity acting, having the control, receipt, custody, dis-
posal, or payment of any withholdable payment.
“(5) FOREIGN ENTITY.—The term ‘foreign entity’ means any entity which is not a United States person.

“SEC. 1474. SPECIAL RULES.

“(a) LIABILITY FOR WITHHELD TAX.—Every person required to deduct and withhold any tax under this chapter is hereby made liable for such tax and is hereby indemnified against the claims and demands of any person for the amount of any payments made in accordance with the provisions of this chapter.

“(b) CREDITS AND REFUNDS.—

“(1) IN GENERAL.—Except as provided in paragraph (2), the determination of whether any tax deducted and withheld under this chapter results in an overpayment by the beneficial owner of the payment to which such tax is attributable shall be made as if such tax had been deducted and withheld under subchapter A of chapter 3.

“(2) SPECIAL RULE WHERE FOREIGN FINANCIAL INSTITUTION IS BENEFICIAL OWNER OF PAYMENT.—

“(A) IN GENERAL.—In the case of any tax properly deducted and withheld under section 1471 from a specified financial institution payment—
“(i) if the foreign financial institution referred to in subparagraph (B) with respect to such payment is entitled to a reduced rate of tax with respect to such payment by reason of any treaty obligation of the United States—

“(I) the amount of any credit or refund with respect to such tax shall not exceed the amount of credit or refund attributable to such reduction in rate, and

“(II) no interest shall be allowed or paid with respect to such credit or refund, and

“(ii) if such foreign financial institution is not so entitled, no credit or refund shall be allowed or paid with respect to such tax.

“(B) SPECIFIED FINANCIAL INSTITUTION PAYMENT.—The term ‘specified financial institution payment’ means any payment if the beneficial owner of such payment is a foreign financial institution.

“(3) REQUIREMENT TO IDENTIFY SUBSTANTIAL UNITED STATES OWNERS.—No credit or refund shall
be allowed or paid with respect to any tax properly
deducted and withheld under this chapter unless the
beneficial owner of the payment provides the Sec-
retary such information as the Secretary may re-
quire to determine whether such beneficial owner is
a United States owned foreign entity (as defined in
section 1471(d)(3)) and the identity of any substan-
tial United States owners of such entity.
“(e) CONFIDENTIALITY OF INFORMATION.—
“(1) IN GENERAL.—For purposes of this chap-
ter, rules similar to the rules of section 3406(f) shall
apply.
“(2) DISCLOSURE OF LIST OF PARTICIPATING
FOREIGN FINANCIAL INSTITUTIONS PERMITTED.—
The identity of a foreign financial institution which
meets the requirements of section 1471(b) shall not
be treated as return information for purposes of sec-
tion 6103.
“(d) COORDINATION WITH OTHER WITHHOLDING
PROVISIONS.—The Secretary shall provide for the coordi-
nation of this chapter with other withholding provisions
under this title, including providing for the proper cred-
iting of amounts deducted and withheld under this chapter
against amounts required to be deducted and withheld
under such other provisions.
“(e) Treatment of Withholding Under Agreements.—Any tax deducted and withheld pursuant to an agreement described in section 1471(b) shall be treated for purposes of this title as a tax deducted and withheld by a withholding agent under section 1471(a).

“(f) Regulations.—The Secretary shall prescribe such regulations or other guidance as may be necessary or appropriate to carry out the purposes of, and prevent the avoidance of, this chapter.”.

(b) Special Rule for Interest on Overpayments.—Subsection (e) of section 6611 is amended by adding at the end the following new paragraph:

“(4) Certain Withholding Taxes.—In the case of any overpayment resulting from tax deducted and withheld under chapter 3 or 4, paragraphs (1), (2), and (3) shall be applied by substituting ‘180 days’ for ‘45 days’ each place it appears.”.

(c) Conforming Amendments.—

(1) Section 6414 is amended by inserting “or 4” after “chapter 3”.

(2) Paragraph (1) of section 6501(b) is amended by inserting “4,” after “chapter 3,.”.

(3) Paragraph (2) of section 6501(b) is amended—
(A) by inserting “4,” after “chapter 3,” in
the text thereof, and

(B) by striking “TAXES AND TAX IMPOSED
BY CHAPTER 3” in the heading thereof and in-
serting “AND WITHHOLDING TAXES”.

(4) Paragraph (3) of section 6513(b) is amend-
ed—

(A) by inserting “or 4” after “chapter 3”,
and

(B) by inserting “or 1474(b)” after “sec-
tion 1462”.

(5) Subsection (c) of section 6513 is amended
by inserting “4,” after “chapter 3,”.

(6) Paragraph (1) of section 6724(d) is amend-
ed by inserting “under chapter 4 or” after “filed
with the Secretary” in the last sentence thereof.

(7) Paragraph (2) of section 6724(d) is amend-
ed by inserting “or 4” after “chapter 3”.

(8) The table of chapters of the Internal Rev-
ene Code of 1986 is amended by adding at the end
the following new item:

“CHAPTER 4. TAXES TO ENFORCE REPORTING ON CERTAIN FOREIGN
ACCOUNTS.”.

(d) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as otherwise pro-
vided in this subsection, the amendments made by
this section shall apply to payments made after December 31, 2012.

(2) **Grandfathered Treatment of Outstanding Obligations.**—The amendments made by this section shall not require any amount to be deducted or withheld from any payment under any obligation outstanding on the date which is 2 years after the date of the enactment of this Act or from the gross proceeds from any disposition of such an obligation.

(3) **Interest on Overpayments.**—The amendment made by subsection (b) shall apply—

(A) in the case of such amendment’s application to paragraph (1) of section 6611(e) of the Internal Revenue Code of 1986, to returns the due date for which (determined without regard to extensions) is after the date of the enactment of this Act,

(B) in the case of such amendment’s application to paragraph (2) of such section, to claims for credit or refund of any overpayment filed after the date of the enactment of this Act (regardless of the taxable period to which such refund relates), and
(C) in the case of such amendment’s application to paragraph (3) of such section, to refunds paid after the date of the enactment of this Act (regardless of the taxable period to which such refund relates).

SEC. 802. REPEAL OF CERTAIN FOREIGN EXCEPTIONS TO REGISTERED BOND REQUIREMENTS.

(a) REPEAL OF EXCEPTION TO DENIAL OF DEDUCTION FOR INTEREST ON NON-REGISTERED BONDS.—

(1) IN GENERAL.— Paragraph (2) of section 163(f) is amended by striking subparagraph (B) and by redesignating subparagraph (C) as subparagraph (B).

(2) CONFORMING AMENDMENTS.—

(A) Paragraph (2) of section 149(a) is amended by inserting “or” at the end of subparagraph (A), by striking “, or” at the end of subparagraph (B) and inserting a period, and by striking subparagraph (C).

(B) Subparagraph (A) of section 163(f)(2) is amended by inserting “or” at the end of clause (ii), by striking “, or” at the end of clause (iii) and inserting a period, and by striking clause (iv).
(C) Subparagraph (B) of section 163(f)(2), as redesignated by paragraph (1), is amended—

(i) by striking ‘‘, and subparagraph (B),’’ in the matter preceding clause (i), and

(ii) by amending clause (i) to read as follows:

‘‘(i) such obligation is of a type which the Secretary has determined by regulations to be used frequently in avoiding Federal taxes, and’’.

(D) Sections 165(j)(2)(A) and 1287(b)(1) are each amended by striking ‘‘except that clause (iv) of subparagraph (A), and subparagraph (B), of such section shall not apply’’.

(b) REPEAL OF TREATMENT AS PORTFOLIO DEBT.—

(1) IN GENERAL.—Paragraph (2) of section 871(h) is amended to read as follows:

‘‘(2) PORTFOLIO INTEREST.—For purposes of this subsection, the term ‘portfolio interest’ means any interest (including original issue discount) which—

‘‘(A) would be subject to tax under subsection (a) but for this subsection, and

‘‘(B) is paid on an obligation—
“(i) which is in registered form, and

“(ii) with respect to which—

“(I) the United States person who would otherwise be required to deduct and withhold tax from such interest under section 1441(a) receives a statement (which meets the requirements of paragraph (5)) that the beneficial owner of the obligation is not a United States person, or

“(II) the Secretary has determined that such a statement is not required in order to carry out the purposes of this subsection.”.

(2) CONFORMING AMENDMENTS.—

(A) Section 871(h)(3)(A) is amended by striking “subparagraph (A) or (B) of”.

(B) Paragraph (2) of section 881(c) is amended to read as follows:

“(2) PORTFOLIO INTEREST.—For purposes of this subsection, the term ‘portfolio interest’ means any interest (including original issue discount) which—

“(A) would be subject to tax under subsection (a) but for this subsection, and
“(B) is paid on an obligation—

“(i) which is in registered form, and

“(ii) with respect to which—

“(I) the person who would otherwise be required to deduct and withhold tax from such interest under section 1442(a) receives a statement which meets the requirements of section 871(h)(5) that the beneficial owner of the obligation is not a United States person, or

“(II) the Secretary has determined that such a statement is not required in order to carry out the purposes of this subsection.”.

(e) Dematerialized Book Entry Systems Treated as Registered Form.—Paragraph (3) of section 163(f) is amended by inserting “, except that a dematerialized book entry system or other book entry system specified by the Secretary shall be treated as a book entry system described in such section” before the period at the end.

(d) Repeal of Exception to Requirement That Treasury Obligations Be in Registered Form.—
(1) IN GENERAL.—Subsection (g) of section 3121 of title 31, United States Code, is amended by striking paragraph (2) and by redesignating paragraphs (3) and (4) as paragraphs (2) and (3), respectively.

(2) CONFORMING AMENDMENTS.—Paragraph (1) of section 3121(g) of such title is amended—

(A) by adding “or” at the end of subparagraph (A),

(B) by striking “; or” at the end of subparagraph (B) and inserting a period, and

(C) by striking subparagraph (C).

(e) PRESERVATION OF EXCEPTION FOR EXCISE TAX PURPOSES.—Paragraph (1) of section 4701(b) is amended to read as follows:

“(1) REGISTRATION-REQUIRED OBLIGATION.—

“(A) IN GENERAL.—The term ‘registration-required obligation’ has the same meaning as when used in section 163(f), except that such term shall not include any obligation which—

“(i) is required to be registered under section 149(a), or

“(ii) is described in subparagraph (B).
“(B) CERTAIN OBLIGATIONS NOT INCLUDED.—An obligation is described in this subparagraph if—

“(i) there are arrangements reasonably designed to ensure that such obligation will be sold (or resold in connection with the original issue) only to a person who is not a United States person,

“(ii) interest on such obligation is payable only outside the United States and its possessions, and

“(iii) on the face of such obligation there is a statement that any United States person who holds such obligation will be subject to limitations under the United States income tax laws.”.

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to obligations issued after the date which is 2 years after the date of the enactment of this Act.
PART II—UNDER REPORTING WITH RESPECT TO FOREIGN ASSETS

SEC. 811. DISCLOSURE OF INFORMATION WITH RESPECT TO FOREIGN FINANCIAL ASSETS.

(a) In General.—Subpart A of part III of subchapter A of chapter 61 is amended by inserting after section 6038C the following new section:

"SEC. 6038D. INFORMATION WITH RESPECT TO FOREIGN FINANCIAL ASSETS.

"(a) In General.—Any individual who, during any taxable year, holds any interest in a specified foreign financial asset shall attach to such person’s return of tax imposed by subtitle A for such taxable year the information described in subsection (c) with respect to each such asset if the aggregate value of all such assets exceeds $50,000 (or such higher dollar amount as the Secretary may prescribe).

"(b) Specified Foreign Financial Assets.—For purposes of this section, the term ‘specified foreign financial asset’ means—

“(1) any financial account (as defined in section 1471(d)(2)) maintained by a foreign financial institution (as defined in section 1471(d)(4)), and

“(2) any of the following assets which are not held in an account maintained by a financial institution (as defined in section 1471(d)(5))—
“(A) any stock or security issued by a person other than a United States person,

“(B) any financial instrument or contract held for investment that has an issuer or counterparty which is other than a United States person, and

“(C) any interest in a foreign entity (as defined in section 1473).

“(c) REQUIRED INFORMATION.—The information described in this subsection with respect to any asset is:

“(1) In the case of any account, the name and address of the financial institution in which such account is maintained and the number of such account.

“(2) In the case of any stock or security, the name and address of the issuer and such information as is necessary to identify the class or issue of which such stock or security is a part.

“(3) In the case of any other instrument, contract, or interest—

“(A) such information as is necessary to identify such instrument, contract, or interest, and
“(B) the names and addresses of all issuers and counterparties with respect to such instrument, contract, or interest.

“(4) The maximum value of the asset during the taxable year.

“(d) PENALTY FOR FAILURE TO DISCLOSE.—

“(1) IN GENERAL.—If any individual fails to furnish the information described in subsection (c) with respect to any taxable year at the time and in the manner described in subsection (a), such person shall pay a penalty of $10,000.

“(2) INCREASE IN PENALTY WHERE FAILURE CONTINUES AFTER NOTIFICATION.—If any failure described in paragraph (1) continues for more than 90 days after the day on which the Secretary mails notice of such failure to the individual, such individual shall pay a penalty (in addition to the penalties under paragraph (1)) of $10,000 for each 30-day period (or fraction thereof) during which such failure continues after the expiration of such 90-day period. The penalty imposed under this paragraph with respect to any failure shall not exceed $50,000.

“(e) PRESUMPTION THAT VALUE OF SPECIFIED FOREIGN FINANCIAL ASSETS EXCEEDS DOLLAR THRESHOLD.—If—
“(1) the Secretary determines that an individual has an interest in one or more specified foreign financial assets, and

“(2) such individual does not provide sufficient information to demonstrate the aggregate value of such assets,

then the aggregate value of such assets shall be treated as being in excess of $50,000 (or such higher dollar amount as the Secretary prescribes for purposes of subsection (a)) for purposes of assessing the penalties imposed under this section.

“(f) Application to Certain Entities.—To the extent provided by the Secretary in regulations or other guidance, the provisions of this section shall apply to any domestic entity which is formed or availed of for purposes of holding, directly or indirectly, specified foreign financial assets, in the same manner as if such entity were an individual.

“(g) Reasonable Cause Exception.—No penalty shall be imposed by this section on any failure which is shown to be due to reasonable cause and not due to willful neglect. The fact that a foreign jurisdiction would impose a civil or criminal penalty on the taxpayer (or any other person) for disclosing the required information is not reasonable cause.
“(h) Regulations.—The Secretary shall prescribe such regulations or other guidance as may be necessary or appropriate to carry out the purposes of this section, including regulations or other guidance which provide appropriate exceptions from the application of this section in the case of—

“(1) classes of assets identified by the Secretary, including any assets with respect to which the Secretary determines that disclosure under this section would be duplicative of other disclosures,

“(2) nonresident aliens, and

“(3) bona fide residents of any possession of the United States.”.

(b) Clerical Amendment.—The table of sections for subpart A of part III of subchapter A of chapter 61 is amended by inserting after the item relating to section 6038C the following new item:

“Sec. 6038D. Information with respect to foreign financial assets.”.

(c) Effective Date.—The amendments made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

SEC. 812. PENALTIES FOR UNDERPAYMENTS ATTRIB-

UTEABLE TO UNDISCLOSED FOREIGN FINAN-

CIAL ASSETS.

(a) In General.—Section 6662, as amended by this Act, is amended—
(1) in subsection (b), by inserting after paragraph (6) the following new paragraph:

“(7) Any undisclosed foreign financial asset understatement.”, and

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

“(j) UNDISCLOSED FOREIGN FINANCIAL ASSET UNDERSTATEMENT.—

“(1) IN GENERAL.—For purposes of this section, the term ‘undisclosed foreign financial asset understatement’ means, for any taxable year, the portion of the understatement for such taxable year which is attributable to any transaction involving an undisclosed foreign financial asset.

“(2) UNDISCLOSED FOREIGN FINANCIAL ASSET.—For purposes of this subsection, the term ‘undisclosed foreign financial asset’ means, with respect to any taxable year, any asset with respect to which information was required to be provided under section 6038, 6038B, 6038D, 6046A, or 6048 for such taxable year but was not provided by the taxpayer as required under the provisions of those sections.

“(3) INCREASE IN PENALTY FOR UNDISCLOSED FOREIGN FINANCIAL ASSET UNDERSTATEMENTS.—
In the case of any portion of an underpayment which is attributable to any undisclosed foreign financial asset understatement, subsection (a) shall be applied with respect to such portion by substituting ‘40 percent’ for ‘20 percent’.

(b) Effective Date.—The amendments made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

SEC. 813. MODIFICATION OF STATUTE OF LIMITATIONS FOR SIGNIFICANT OMISSION OF INCOME IN CONNECTION WITH FOREIGN ASSETS.

(a) Extension of Statute of Limitations.—

(1) In General.—Paragraph (1) of section 6501(e) is amended by redesignating subparagraphs (A) and (B) as subparagraphs (B) and (C), respectively, and by inserting before subparagraph (B) (as so redesignated) the following new subparagraph:

“(A) General Rule.—If the taxpayer omits from gross income an amount properly includible therein and—

“(i) such amount is in excess of 25 percent of the amount of gross income stated in the return, or

“(ii) such amount—
“(I) is attributable to one or more assets with respect to which information is required to be reported under section 6038D (or would be so required if such section were applied without regard to the dollar threshold specified in subsection (a) thereof and without regard to any exceptions provided pursuant to subsection (h)(1) thereof), and

“(II) is in excess of $5,000,

the tax may be assessed, or a proceeding in court for collection of such tax may be begun without assessment, at any time within 6 years after the return was filed.”.

(2) CONFORMING AMENDMENTS.—

(A) Subparagraph (B) of section 6501(e)(1), as redesignated by paragraph (1), is amended by striking all that precedes clause (i) and inserting the following:

“(B) DETERMINATION OF GROSS INCOME.—For purposes of subparagraph (A)—”.

(B) Paragraph (2) of section 6229(c) is amended by striking “which is in excess of 25 percent of the amount of gross income stated in
its return” and inserting “and such amount is described in clause (i) or (ii) of section 6501(e)(1)(A)”.

(b) ADDITIONAL REPORTS SUBJECT TO EXTENDED PERIOD.—Paragraph (8) of section 6501(c) is amended—

(1) by inserting “pursuant to an election under section 1295(b) or” before “under section 6038”,

(2) by inserting “1298(f),” before “6038”, and

(3) by inserting “6038D,” after “6038B,”.

(c) CLARIFICATIONS RELATED TO FAILURE TO DISCLOSE FOREIGN TRANSFERS.—Paragraph (8) of section 6501(c) is amended by striking “event” and inserting “tax return, event,”.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to—

(1) returns filed after the date of the enactment of this Act; and

(2) returns filed on or before such date if the period specified in section 6501 of the Internal Revenue Code of 1986 (determined without regard to such amendments) for assessment of such taxes has not expired as of such date.
PART III—OTHER DISCLOSURE PROVISIONS

SEC. 821. REPORTING OF ACTIVITIES WITH RESPECT TO PASSIVE FOREIGN INVESTMENT COMPANIES.

(a) In General.—Section 1298 is amended by redesignating subsection (f) as subsection (g) and by inserting after subsection (e) the following new subsection:

“(f) Reporting Requirement.—Except as otherwise provided by the Secretary, each United States person who is a shareholder of a passive foreign investment company shall file an annual report containing such information as the Secretary may require.”.

(b) Conforming Amendment.—Subsection (e) of section 1291 is amended by striking “, (d), and (f)” and inserting “and (d)”.

(c) Effective Date.—The amendments made by this section take effect on the date of the enactment of this Act.

SEC. 822. SECRETARY PERMITTED TO REQUIRE FINANCIAL INSTITUTIONS TO FILE CERTAIN RETURNS RELATED TO WITHHOLDING ON FOREIGN TRANSFERS ELECTRONICALLY.

(a) In General.—Subsection (e) of section 6011 is amended by adding at the end the following new paragraph:

“(4) Special rule for returns filed by financial institutions with respect to with-
HOLDING ON FOREIGN TRANSFERS.—The numerical limitation under paragraph (2)(A) shall not apply to any return filed by a financial institution (as defined in section 1471(d)(5)) with respect to tax for which such institution is made liable under section 1461 or 1474(a).”.

(b) CONFORMING AMENDMENT.—Subsection (c) of section 6724 is amended by inserting “or with respect to a return described in section 6011(e)(4)” before the end period.

(c) EFFECTIVE DATE.—The amendment made by this section shall apply to returns the due date for which (determined without regard to extensions) is after the date of the enactment of this Act.

PART IV—PROVISIONS RELATED TO FOREIGN TRUSTS

SEC. 831. CLARIFICATIONS WITH RESPECT TO FOREIGN TRUSTS WHICH ARE TREATED AS HAVING A UNITED STATES BENEFICIARY.

(a) IN GENERAL.—Paragraph (1) of section 679(c) is amended by adding at the end the following:

“For purposes of subparagraph (A), an amount shall be treated as accumulated for the benefit of a United States person even if the United States per-
son’s interest in the trust is contingent on a future event.”.

(b) Clarification Regarding Discretion to Identify Beneficiaries.—Subsection (e) of section 679 is amended by adding at the end the following new paragraph:

“(4) Special rule in case of discretion to identify beneficiaries.—For purposes of paragraph (1)(A), if any person has the discretion (by authority given in the trust agreement, by power of appointment, or otherwise) of making a distribution from the trust to, or for the benefit of, any person, such trust shall be treated as having a beneficiary who is a United States person unless—

“(A) the terms of the trust specifically identify the class of persons to whom such distributions may be made, and

“(B) none of those persons are United States persons during the taxable year.”.

(e) Clarification That Certain Agreements and Understandings Are Terms of the Trust.—Subsection (e) of section 679, as amended by subsection (b), is amended by adding at the end the following new paragraph:
“(5) Certain agreements and understandings treated as terms of the trust.—
For purposes of paragraph (1)(A), if any United States person who directly or indirectly transfers property to the trust is directly or indirectly involved in any agreement or understanding (whether written, oral, or otherwise) that may result in the income or corpus of the trust being paid or accumulated to or for the benefit of a United States person, such agreement or understanding shall be treated as a term of the trust.”.

SEC. 832. PRESUMPTION THAT FOREIGN TRUST HAS UNITED STATES BENEFICIARY.

(a) In General.—Section 679 is amended by redesignating subsection (d) as subsection (e) and inserting after subsection (c) the following new subsection:

“(d) Presumption that Foreign Trust Has United States Beneficiary.—If a United States person directly or indirectly transfers property to a foreign trust (other than a trust described in section 6048(a)(3)(B)(ii)), the Secretary may treat such trust as having a United States beneficiary for purposes of applying this section to such transfer unless such person—
“(1) submits such information to the Secretary as the Secretary may require with respect to such transfer, and

“(2) demonstrates to the satisfaction of the Secretary that such trust satisfies the requirements of subparagraphs (A) and (B) of subsection (c)(1).”.

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

SEC. 833. UNCOMPENSATED USE OF TRUST PROPERTY.

(a) IN GENERAL.—Paragraph (1) of section 643(i) is amended—

(1) by striking “directly or indirectly to” and inserting “(or permits the use of any other trust property) directly or indirectly to or by”, and

(2) by inserting “(or the fair market value of the use of such property)” after “the amount of such loan”.

(b) EXCEPTION FOR COMPENSATED USE.—Paragraph (2) of section 643(i) is amended by adding at the end the following new subparagraph:

“(E) EXCEPTION FOR COMPENSATED USE OF PROPERTY.—In the case of the use of any trust property other than a loan of cash or marketable securities, paragraph (1) shall not
apply to the extent that the trust is paid the
fair market value of such use within a reason-
able period of time of such use.”.

(c) APPLICATION TO GRANTOR TRUSTS.—Subsection
(c) of section 679, as amended by this Act, is amended
by adding at the end the following new paragraph:

“(6) UNCOMPENSATED USE OF TRUST PROP-
ERTY TREATED AS A PAYMENT.—For purposes of
this subsection, a loan of cash or marketable securi-
ties (or the use of any other trust property) directly
or indirectly to or by any United States person
(whether or not a beneficiary under the terms of the
trust) shall be treated as paid or accumulated for
the benefit of a United States person. The preceding
sentence shall not apply to the extent that the
United States person repays the loan at a market
rate of interest (or pays the fair market value of the
use of such property) within a reasonable period of
time.”.

(d) CONFORMING AMENDMENTS.—Paragraph (3) of
section 643(i) is amended—

(1) by inserting “(or use of property)” after “If
any loan”,

(2) by inserting “or the return of such prop-
erty” before “shall be disregarded”, and
(3) by striking “REGARDING LOAN PRINCIPAL” in the heading thereof.

c(e) EFFECTIVE DATE.—The amendments made by this section shall apply to loans made, and uses of property, after the date of the enactment of this Act.

SEC. 834. REPORTING REQUIREMENT OF UNITED STATES OWNERS OF FOREIGN TRUSTS.

(a) IN GENERAL.—Paragraph (1) of section 6048(b) is amended by inserting “shall submit such information as the Secretary may prescribe with respect to such trust for such year and” before “shall be responsible to ensure”.

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

SEC. 835. MINIMUM PENALTY WITH RESPECT TO FAILURE TO REPORT ON CERTAIN FOREIGN TRUSTS.

(a) IN GENERAL.—Subsection (a) of section 6677 is amended—

(1) by inserting “the greater of $10,000 or” before “35 percent”, and

(2) by striking the last sentence and inserting the following: “At such time as the gross reportable amount with respect to any failure can be determined by the Secretary, any subsequent penalty imposed under this subsection with respect to such fail-
sure shall be reduced as necessary to assure that the aggregate amount of such penalties do not exceed the gross reportable amount (and to the extent that such aggregate amount already exceeds the gross reportable amount the Secretary shall refund such excess to the taxpayer).”

(b) Effective Date.—The amendments made by this section shall apply to notices and returns required to be filed after December 31, 2009.

PART V—SUBSTITUTE DIVIDENDS AND DIVIDEND EQUIVALENT PAYMENTS RECEIVED BY FOREIGN PERSONS TREATED AS DIVIDENDS

SEC. 841. SUBSTITUTE DIVIDENDS AND DIVIDEND EQUIVALENT PAYMENTS RECEIVED BY FOREIGN PERSONS TREATED AS DIVIDENDS.

(a) In General.—Section 871 is amended by redesignating subsection (l) as subsection (m) and by inserting after subsection (k) the following new subsection:

“(l) Treatment of Dividend Equivalent Payments.—

“(1) In General.—For purposes of subsection (a), sections 881 and 4948(a), and chapters 3 and 4, a dividend equivalent shall be treated as a dividend from sources within the United States.
“(2) Dividend Equivalent.—For purposes of this subsection, the term ‘dividend equivalent’ means—

“(A) any substitute dividend made pursuant to a securities lending or a sale-repurchase transaction that (directly or indirectly) is contingent upon, or determined by reference to, the payment of a dividend from sources within the United States,

“(B) any payment made pursuant to a specified notional principal contract that (directly or indirectly) is contingent upon, or determined by reference to, the payment of a dividend from sources within the United States, and

“(C) any other payment determined by the Secretary to be substantially similar to a payment described in subparagraph (A) or (B).

“(3) Specified Notional Principal Contract.—For purposes of this subsection, the term ‘specified notional principal contract’ means—

“(A) any notional principal contract if—

“(i) in connection with entering into such contract, any long party to the con-
tract transfers the underlying security to any short party to the contract,

“(ii) in connection with the termination of such contract, any short party to the contract transfers the underlying security to any long party to the contract,

“(iii) the underlying security is not readily tradable on an established securities market,

“(iv) in connection with entering into such contract, the underlying security is posted as collateral by any short party to the contract with any long party to the contract, or

“(v) such contract is identified by the Secretary as a specified notional principal contract,

“(B) in the case of payments made after the date which is 2 years after the date of the enactment of this subsection, any notional principal contract unless the Secretary determines that such contract is of a type which does not have the potential for tax avoidance.

“(4) DEFINITIONS.—For purposes of paragraph (3)(A)—
“(A) LONG PARTY.—The term ‘long party’ means, with respect to any underlying security of any notional principal contract, any party to the contract which is entitled to receive any payment pursuant to such contract which is contingent upon, or determined by reference to, the payment of a dividend from sources within the United States with respect to such underlying security.

“(B) SHORT PARTY.—The term ‘short party’ means, with respect to any underlying security of any notional principal contract, any party to the contract which is not a long party with respect to such underlying security.

“(C) UNDERLYING SECURITY.—The term ‘underlying security’ means, with respect to any notional principal contract, the security with respect to which the dividend referred to in paragraph (2)(B) is paid. For purposes of this paragraph, any index or fixed basket of securities shall be treated as a single security.

“(5) PAYMENTS DETERMINED ON GROSS BASIS.—For purposes of this subsection, the term ‘payment’ includes any gross amount which is used
in computing any net amount which is transferred to
or from the taxpayer.

“(6) Prevention of Over-Withholding.—In
the case of any chain of dividend equivalents one or
more of which is subject to tax under subsection (a)
or section 881, the Secretary may reduce such tax,
but only to the extent that the taxpayer can estab-
lish that such tax has been paid with respect to an-
other dividend equivalent in such chain, or is not
otherwise due, or as the Secretary determines is ap-
propriate to address the role of financial inter-
mediaries in such chain. For purposes of this para-
graph, a dividend shall be treated as a dividend
equivalent.

“(7) Coordination with Chapters 3 and
4.—For purposes of chapters 3 and 4, each person
that is a party to any contract or other arrangement
that provides for the payment of a dividend equiva-
lent shall be treated as having control of such pay-
ment.”.

(b) Effective Date.—The amendments made by
this section shall apply to payments made on or after the
date that is 180 days after the date of the enactment of
this Act.
Subtitle B—Black Liquor

SEC. 851. EXCLUSION OF UNPROCESSED FUELS FROM THE

         CELLULOSIC BIOFUEL PRODUCER CREDIT.

(a) In General.—Subparagraph (E) of section
40(b)(6) is amended by adding at the end the following
new clause:

“(iii) Exclusion of unprocessed
fuels.—The term ‘cellulosic biofuel’ shall
not include any fuel if—

“(I) more than 4 percent of such
fuel (determined by weight) is any
combination of water and sediment, or

“(II) the ash content of such fuel
is more than 1 percent (determined by
weight).”.

(b) Effective Date.—The amendment made by
this section shall apply to fuels sold or used after the date
of the enactment of this Act.

SEC. 852. PROHIBITION ON ALTERNATIVE FUEL CREDIT

         AND ALTERNATIVE FUEL MIXTURE CREDIT

         FOR BLACK LIQUOR.

(a) In General.—The last sentence of section
6426(d)(2) is amended by striking “or biodiesel” and in-
serting “biodiesel, or any fuel (including lignin, wood resi-
(b) Effective Date.—The amendment made by this section shall apply to fuel sold or used after December 31, 2009.

Subtitle C—Homebuyer Credit

Sec. 861. Technical Modifications to Homebuyer Credit.

(a) Expanded Documentation Requirement.—Subsection (d) of section 36, as amended by the Worker, Homeownership, and Business Assistance Act of 2009, is amended—

(1) by striking “or” at the end of paragraph (3),

(2) by striking the period at the end of paragraph (4) and inserting a comma, and

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

“(5) in the case of a taxpayer to whom such a credit would be allowed (but for this paragraph) by reason of subsection (c)(6), the taxpayer fails to attach to the return of tax for such taxable year a copy of such property tax bills or other documentation as are required by the Secretary to demonstrate
compliance with the requirements of subsection (e)(6), or

“(6) in the case of a taxpayer to whom such a credit would be allowed (but for this paragraph) by reason of subsection (h)(2), the taxpayer fails to attach to the return of tax for such taxable year a copy of the binding contract which meets the requirements of subsection (h)(2).”.

(b) Modification of Effective Date of Documentation Requirements.—Paragraph (2) of section 12(e) of the Worker, Homeownership, and Business Assistance Act of 2009 is amended by striking “returns for taxable years ending after the date of the enactment of this Act” and inserting “returns filed after the date of the enactment of this Act”.

(e) Effective Dates.—

(1) Documentation Requirements.—The amendments made by subsection (a) shall apply to purchases on or after the date of the enactment of this Act.

(2) Effective Date of Worker, Homeownership, and Business Assistance Act.—The amendment made by subsection (b) shall apply to purchases of a principal residence on or after the
date of the enactment of the Worker, Homeownership, and Business Assistance Act of 2009.

**Subtitle D—Economic Substance**

**SEC. 871. CODIFICATION OF ECONOMIC SUBSTANCE DOCTRINE; PENALTIES.**

(a) In General.—Section 7701 is amended by redesignating subsection (o) as subsection (p) and by inserting after subsection (n) the following new subsection:

“(o) Clarification of Economic Substance Doctrine.—

“(1) Application of doctrine.—In the case of any transaction to which the economic substance doctrine is relevant, such transaction shall be treated as having economic substance only if—

“(A) the transaction changes in a meaningful way (apart from Federal income tax effects) the taxpayer’s economic position, and

“(B) the taxpayer has a substantial purpose (apart from Federal income tax effects) for entering into such transaction.

“(2) Special rule where taxpayer relies on profit potential.—

“(A) In general.—The potential for profit of a transaction shall be taken into account in determining whether the requirements
of subparagraphs (A) and (B) of paragraph (1) are met with respect to the transaction only if the present value of the reasonably expected pre-tax profit from the transaction is substantial in relation to the present value of the expected net tax benefits that would be allowed if the transaction were respected.

“(B) TREATMENT OF FEES AND FOREIGN TAXES.—Fees and other transaction expenses shall be taken into account as expenses in determining pre-tax profit under subparagraph (A). The Secretary may issue regulations requiring foreign taxes to be treated as expenses in determining pre-tax profit in appropriate cases.

“(3) STATE AND LOCAL TAX BENEFITS.—For purposes of paragraph (1), any State or local income tax effect which is related to a Federal income tax effect shall be treated in the same manner as a Federal income tax effect.

“(4) FINANCIAL ACCOUNTING BENEFITS.—For purposes of paragraph (1)(B), achieving a financial accounting benefit shall not be taken into account as a purpose for entering into a transaction if the ori-
gin of such financial accounting benefit is a reduction of Federal income tax.

“(5) DEFINITIONS AND SPECIAL RULES.—For purposes of this subsection—

“(A) ECONOMIC SUBSTANCE DOCTRINE.—The term ‘economic substance doctrine’ means the common law doctrine under which tax benefits under subtitle A with respect to a transaction are not allowable if the transaction does not have economic substance or lacks a business purpose.

“(B) EXCEPTION FOR PERSONAL TRANSACTIONS OF INDIVIDUALS.—In the case of an individual, paragraph (1) shall apply only to transactions entered into in connection with a trade or business or an activity engaged in for the production of income.

“(C) OTHER COMMON LAW DOCTRINES NOT AFFECTED.—Except as specifically provided in this subsection, the provisions of this subsection shall not be construed as altering or supplanting any other rule of law, and the requirements of this subsection shall be construed as being in addition to any such other rule of law.
“(D) Determination of application of doctrine not affected.—The determination of whether the economic substance doctrine is relevant to a transaction shall be made in the same manner as if this subsection had never been enacted.

“(E) Transaction.—The term ‘transaction’ includes a series of transactions.

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

(b) Penalty for Underpayments Attributable to Transactions Lacking Economic Substance.—

(1) In general.—Subsection (b) of section 6662 is amended by inserting after paragraph (5) the following new paragraph:

“(6) Any disallowance of claimed tax benefits by reason of a transaction lacking economic substance (within the meaning of section 7701(o)) or failing to meet the requirements of any similar rule of law.”.

(2) Increased penalty for nondisclosed transactions.—Section 6662 is amended by adding at the end the following new subsection:
“(i) Increase in Penalty in Case of Nondisclosed Noneconomic Substance Transactions.—

“(1) In general.—In the case of any portion of an underpayment which is attributable to one or more nondisclosed noneconomic substance transactions, subsection (a) shall be applied with respect to such portion by substituting ‘40 percent’ for ‘20 percent’.

“(2) Nondisclosed Noneconomic Substance Transactions.—For purposes of this subsection, the term ‘nondisclosed noneconomic substance transaction’ means any portion of a transaction described in subsection (b)(6) with respect to which the relevant facts affecting the tax treatment are not adequately disclosed in the return nor in a statement attached to the return.

“(3) Special rule for amended returns.—Except as provided in regulations, in no event shall any amendment or supplement to a return of tax be taken into account for purposes of this subsection if the amendment or supplement is filed after the earlier of the date the taxpayer is first contacted by the Secretary regarding the examination of the return or such other date as is specified by the Secretary.”
(3) CONFORMING AMENDMENT.—Subparagraph (B) of section 6662A(e)(2) is amended—

(A) by striking “section 6662(h)” and inserting “subsections (h) or (i) of section 6662”; and

(B) by striking “GROSS VALUATION MISSTATEMENT PENALTY” in the heading and inserting “CERTAIN INCREASED UNDERPAYMENT PENALTIES”.

(c) REASONABLE CAUSE EXCEPTION NOT APPLICABLE TO NONECONOMIC SUBSTANCE TRANSACTIONS.—

(1) REASONABLE CAUSE EXCEPTION FOR UNDERPAYMENTS.—Subsection (c) of section 6664 is amended—

(A) by redesignating paragraphs (2) and (3) as paragraphs (3) and (4), respectively;

(B) by striking “paragraph (2)” in paragraph (4)(A), as so redesignated, and inserting “paragraph (3)”; and

(C) by inserting after paragraph (1) the following new paragraph:

“(2) EXCEPTION.—Paragraph (1) shall not apply to any portion of an underpayment which is attributable to one or more transactions described in section 6662(b)(6).”
(2) Reasonable cause exception for reportable transaction understatements.—

Subsection (d) of section 6664 is amended—

(A) by redesignating paragraphs (2) and (3) as paragraphs (3) and (4), respectively;

(B) by striking “paragraph (2)(C)” in paragraph (4), as so redesignated, and inserting “paragraph (3)(C)”;

(C) by inserting after paragraph (1) the following new paragraph:

“(2) Exception.—Paragraph (1) shall not apply to any portion of a reportable transaction understatement which is attributable to one or more transactions described in section 6662(b)(6).”.

(d) Application of penalty for erroneous claim for refund or credit to noneconomic substance transactions.—Section 6676 is amended by redesignating subsection (c) as subsection (d) and inserting after subsection (b) the following new subsection:

“(c) Noneconomic substance transactions treated as lacking reasonable basis.—For purposes of this section, any excessive amount which is attributable to any transaction described in section 6662(b)(6) shall not be treated as having a reasonable basis.”.

(e) Effective date.—
(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this section shall apply to transactions entered into after the date of the enactment of this Act.

(2) UNDERPAYMENTS.—The amendments made by subsections (b) and (c)(1) shall apply to underpayments attributable to transactions entered into after the date of the enactment of this Act.

(3) UNDERSTATEMENTS.—The amendments made by subsection (c)(2) shall apply to understatements attributable to transactions entered into after the date of the enactment of this Act.

(4) REFUNDS AND CREDITS.—The amendment made by subsection (d) shall apply to refunds and credits attributable to transactions entered into after the date of the enactment of this Act.

Subtitle E—Additional Provisions

SEC. 881. REVISION TO THE MEDICARE IMPROVEMENT FUND.

Section 1898(b)(1)(A) of the Social Security Act (42 U.S.C. 1395iii(b)(1)(A)), as amended by section 1011(b) of the Department of Defense Appropriations Act, 2010 (Public Law 111–118), is amended by striking “$20,740,000,000” and inserting “$12,740,000,000”.

...
TITLE IX—SATELLITE
TELEVISION EXTENSION

SEC. 901. SHORT TITLE.

This title may be cited as the “Satellite Television
Extension and Localism Act of 2010”.

Subtitle A—Statutory Licenses

SEC. 901. REFERENCE.

Except as otherwise provided, whenever in this sub-
title an amendment is made to a section or other provision,
the reference shall be considered to be made to such sec-
tion or provision of title 17, United States Code.

SEC. 902. MODIFICATIONS TO STATUTORY LICENSE FOR
SATELLITE CARRIERS.

(a) HEADING RENAMED.—

(1) IN GENERAL.—The heading of section 119
is amended by striking “superstations and net-
work stations for private home viewing”
and inserting “distant television program-
ing by satellite”.

(2) TABLE OF CONTENTS.—The table of con-
tents for chapter 1 is amended by striking the item
relating to section 119 and inserting the following:

“119. Limitations on exclusive rights: Secondary transmissions of distant tele-
vision programming by satellite.”.

(b) UNSERVED HOUSEHOLD DEFINED.—
(1) IN GENERAL.—Section 119(d)(10) is amended—

(A) by striking subparagraph (A) and inserting the following:

“(A) cannot receive, through the use of an antenna, an over-the-air signal containing the primary stream, or, on or after the qualifying date, the multicast stream, originating in that household’s local market and affiliated with that network of—

“(i) if the signal originates as an analog signal, Grade B intensity as defined by the Federal Communications Commission in section 73.683(a) of title 47, Code of Federal Regulations, as in effect on January 1, 1999; or

“(ii) if the signal originates as a digital signal, intensity defined in the values for the digital television noise-limited service contour, as defined in regulations issued by the Federal Communications Commission (section 73.622(e) of title 47, Code of Federal Regulations), as such regulations may be amended from time to time;”;}
(B) in subparagraph (B)—
   (i) by striking “subsection (a)(14)” and inserting “subsection (a)(13),”; and
   (ii) by striking “Satellite Home Viewer Extension and Reauthorization Act of 2004” and inserting “Satellite Television Extension and Localism Act of 2010”; and
   (C) in subparagraph (D), by striking “(a)(12)” and inserting “(a)(11)”.

(2) QUALIFYING DATE DEFINED.—Section 119(d) is amended by adding at the end the following:

“(14) QUALIFYING DATE.—The term ‘qualifying date’, for purposes of paragraph (10)(A), means—

“(A) July 1, 2010, for multicast streams that exist on December 31, 2009; and

“(B) January 1, 2011, for all other multicast streams.”.

(e) FILING FEE.—Section 119(b)(1) is amended—

(1) in subparagraph (A), by striking “and” after the semicolon at the end;

(2) in subparagraph (B), by striking the period and inserting “; and”; and

(3) by adding at the end the following:
“(C) a filing fee, as determined by the Register of Copyrights pursuant to section 708(a).”.

(d) DEPOSIT OF STATEMENTS AND FEES; VERIFICATION PROCEDURES.—Section 119(b) is amended—

(1) by amending the subsection heading to read as follows: “(b) DEPOSIT OF STATEMENTS AND FEES; VERIFICATION PROCEDURES.—”; 

(2) in paragraph (1), by striking subparagraph (B) and inserting the following:

“(B) a royalty fee payable to copyright owners pursuant to paragraph (4) for that 6-month period, computed by multiplying the total number of subscribers receiving each secondary transmission of a primary stream or multicast stream of each non-network station or network station during each calendar year month by the appropriate rate in effect under this subsection; and”; 

(3) by redesignating paragraphs (2), (3), and (4) as paragraphs (3), (4), and (5), respectively; 

(4) by inserting after paragraph (1) the following:
“(2) Verification of accounts and fee payments.—The Register of Copyrights shall issue regulations to permit interested parties to verify and audit the statements of account and royalty fees submitted by satellite carriers under this subsection.”;

(5) in paragraph (3), as redesignated, in the first sentence—

(A) by inserting “(including the filing fee specified in paragraph (1)(C))” after “shall receive all fees”; and

(B) by striking “paragraph (4)” and inserting “paragraph (5)”;

(6) in paragraph (4), as redesignated—

(A) by striking “paragraph (2)” and inserting “paragraph (3)”;

(B) by striking “paragraph (4)” each place it appears and inserting “paragraph (5)”;

(7) in paragraph (5), as redesignated, by striking “paragraph (2)” and inserting “paragraph (3)”.

e) Adjustment of royalty fees.—Section 119(c) is amended as follows:

(1) Paragraph (1) is amended—

(A) in the heading for such paragraph, by striking “ANALOG”;
(B) in subparagraph (A)—

(i) by striking “primary analog transmissions” and inserting “primary transmissions”; and

(ii) by striking “July 1, 2004” and inserting “July 1, 2009”;

(C) in subparagraph (B)—

(i) by striking “January 2, 2005, the Librarian of Congress” and inserting “March 1, 2010, the Copyright Royalty Judges”; and

(ii) by striking “primary analog transmission” and inserting “primary transmissions”;

(D) in subparagraph (C), by striking “Librarian of Congress” and inserting “Copyright Royalty Judges”;

(E) in subparagraph (D)—

(i) in clause (i)—

(I) by striking “(i) Voluntary agreements” and inserting the following:

“(i) VOLUNTARY AGREEMENTS; FILING.—Voluntary agreements”; and
(II) by striking “that a parties” and inserting “that are parties”; and
(ii) in clause (ii)—
(I) by striking “(ii)(I) Within” and inserting the following:
“(ii) PROCEDURE FOR ADOPTION OF FEES.—
“(I) PUBLICATION OF NOTICE.—
Within”;
(II) in subclause (I), by striking “an arbitration proceeding pursuant to subparagraph (E)” and inserting “a proceeding under subparagraph (F)”;
(III) in subclause (II), by striking “(II) Upon receiving a request under subclause (I), the Librarian of Congress” and inserting the following:
“(II) PUBLIC NOTICE OF FEES.—Upon receiving a request under subclause (I), the Copyright Royalty Judges”; and
(IV) in subclause (III)—
(aa) by striking “(III) The Librarian” and inserting the following:

“(III) ADOPTION OF FEES.—The Copyright Royalty Judges”;

(bb) by striking “an arbitration proceeding” and inserting “the proceeding under subparagraph (F)”; and

(cc) by striking “the arbitration proceeding” and inserting “that proceeding”;

(F) in subparagraph (E)—

(i) by striking “Copyright Office” and inserting “Copyright Royalty Judges”; and

(ii) by striking “February 28, 2010” and inserting “December 31, 2014”; and

(G) in subparagraph (F)—

(i) in the heading, by striking “COM- pulsory Arbitration” and inserting “COPYRIGHT ROYALTY JUDGES PROCEEDING”; and

(ii) in clause (i)—
(I) in the heading, by striking “PROCEEDINGS” and inserting “THE PROCEEDING”;

(II) in the matter preceding sub-
clause (I)—

(aa) by striking “May 1, 2005, the Librarian of Congress” and inserting “May 3, 2010, the Copyright Royalty Judges”;

(bb) by striking “arbitration proceedings” and inserting “a proceeding”;

(cc) by striking “fee to be paid” and inserting “fees to be paid”;

(dd) by striking “primary analog transmission” and inserting “the primary transmissions”;

and

(ee) by striking “distributors” and inserting “distributors—”;

(III) in subclause (II)—
(aa) by striking “Librarian of Congress” and inserting “Copyright Royalty Judges”; and

(bb) by striking “arbitration”; and

(IV) by amending the last sentence to read as follows: “Such proceeding shall be conducted under chapter 8.”;

(iii) in clause (ii), by amending the matter preceding subclause (I) to read as follows:

“(ii) Establishment of royalty fees.—In determining royalty fees under this subparagraph, the Copyright Royalty Judges shall establish fees for the secondary transmissions of the primary transmissions of network stations and non-network stations that most clearly represent the fair market value of secondary transmissions, except that the Copyright Royalty Judges shall adjust royalty fees to account for the obligations of the parties under any applicable voluntary agreement filed with the Copyright Royalty Judges in
In accordance with subparagraph (D). In determining the fair market value, the Judges shall base their decision on economic, competitive, and programming information presented by the parties, including—”;

(iv) by amending clause (iii) to read as follows:

“(iii) EFFECTIVE DATE FOR DECISION OF COPYRIGHT ROYALTY JUDGES.—The obligation to pay the royalty fees established under a determination that is made by the Copyright Royalty Judges in a proceeding under this paragraph shall be effective as of January 1, 2010.”; and

(v) in clause (iv)—

(I) in the heading, by striking “FEE” and inserting “FEES”; and

(II) by striking “fee referred to in (iii)” and inserting “fees referred to in clause (iii)”.

(2) Paragraph (2) is amended to read as follows:

“(2) ANNUAL ROYALTY FEE ADJUSTMENT.—

Effective January 1 of each year, the royalty fee
payable under subsection (b)(1)(B) for the secondary transmission of the primary transmissions of network stations and non-network stations shall be adjusted by the Copyright Royalty Judges to reflect any changes occurring in the cost of living as determined by the most recent Consumer Price Index (for all consumers and for all items) published by the Secretary of Labor before December 1 of the preceding year. Notification of the adjusted fees shall be published in the Federal Register at least 25 days before January 1.”.

(f) DEFINITIONS.—

1. **SUBSCRIBER.**—Section 119(d)(8) is amended to read as follows:

“(8) SUBSCRIBER; SUBSCRIBE.—

“(A) SUBSCRIBER.—The term ‘subscriber’ means a person or entity that receives a secondary transmission service from a satellite carrier and pays a fee for the service, directly or indirectly, to the satellite carrier or to a distributor.

“(B) SUBSCRIBE.—The term ‘subscribe’ means to elect to become a subscriber.”.

2. **LOCAL MARKET.**—Section 119(d)(11) is amended to read as follows:
“(11) Local market.—The term ‘local market’ has the meaning given such term under section 122(j).”.

(3) Low power television station.—Section 119(d) is amended by striking paragraph (12) and redesignating paragraphs (13) and (14) as paragraphs (12) and (13), respectively.

(4) Multicast stream.—Section 119(d), as amended by paragraph (3), is further amended by adding at the end the following new paragraph:

“(14) Multicast stream.—The term ‘multicast stream’ means a digital stream containing programming and program-related material affiliated with a television network, other than the primary stream.”.

(5) Primary stream.—Section 119(d), as amended by paragraph (4), is further amended by adding at the end the following new paragraph:

“(15) Primary stream.—The term ‘primary stream’ means—

“(A) the single digital stream of programming as to which a television broadcast station has the right to mandatory carriage with a satellite carrier under the rules of the Federal
Communications Commission in effect on July 1, 2009; or

“(B) if there is no stream described in subparagraph (A), then either—

“(i) the single digital stream of programming associated with the network last transmitted by the station as an analog signal; or

“(ii) if there is no stream described in clause (i), then the single digital stream of programming affiliated with the network that, as of July 1, 2009, had been offered by the television broadcast station for the longest period of time.”

(6) Clerical Amendment.—Section 119(d) is amended in paragraphs (1), (2), and (5) by striking “which” each place it appears and inserting “that”. (g) Superstation Redesignated as Non-network Station.—Section 119 is amended—

(1) by striking “superstation” each place it appears in a heading and each place it appears in text and inserting “non-network station”; and

(2) by striking “superstations” each place it appears in a heading and each place it appears in text and inserting “non-network stations”.

(h) Removal of Certain Provisions.—

(1) Removal of provisions.—Section 119(a) is amended—

(A) in paragraph (2), by striking subparagraph (C) and redesignating subparagraph (D) as subparagraph (C);

(B) by striking paragraph (3) and redesignating paragraphs (4) through (14) as paragraphs (3) through (13), respectively; and

(C) by striking paragraph (15) and redesignating paragraph (16) as paragraph (14).

(2) Conforming amendments.—Section 119 is amended—

(A) in subsection (a)—

(i) in paragraph (1), by striking “(5), (6), and (8)” and inserting “(4), (5), and (7)”;

(ii) in paragraph (2)—

(I) in subparagraph (A), by striking “subparagraphs (B) and (C) of this paragraph and paragraphs (5), (6), (7), and (8)” and inserting “subparagraph (B) of this paragraph and paragraphs (4), (5), (6), and (7)”;

(2) forming amendments.
(II) in subparagraph (B)(i), by striking the second sentence; and

(III) in subparagraph (C) (as redesignated), by striking clauses (i) and (ii) and inserting the following:

“(i) INITIAL LISTS.—A satellite carrier that makes secondary transmissions of a primary transmission made by a network station pursuant to subparagraph (A) shall, not later than 90 days after commencing such secondary transmissions, submit to the network that owns or is affiliated with the network station a list identifying (by name and address, including street or rural route number, city, State, and 9-digit zip code) all subscribers to which the satellite carrier makes secondary transmissions of that primary transmission to subscribers in unserved households.

“(ii) MONTHLY LISTS.—After the submission of the initial lists under clause (i), the satellite carrier shall, not later than the 15th of each month, submit to the network a list, aggregated by designated mar-
ket area, identifying (by name and address, including street or rural route number, city, State, and 9-digit zip code) any persons who have been added or dropped as subscribers under clause (i) since the last submission under this subparagraph.”;

and

(iii) in subparagraph (E) of paragraph (3) (as redesignated)—

(I) by striking “under paragraph (3) or”; and

(II) by striking “paragraph (12)” and inserting “paragraph (11)”;

(B) in subsection (b)(1), by striking the final sentence.

(i) Modifications to Provisions for Secondary Transmissions by Satellite Carriers.—

(1) Predictive model.—Section 119(a)(2)(B)(ii) is amended by adding at the end the following:

“(III) Accurate predictive model with respect to digital signals.—Notwithstanding subclause (I), in determining presumptively whether a person resides in an
unserved household under subsection (d)(10)(A) with respect to digital signals, a court shall rely on a predictive model set forth by the Federal Communications Commission pursuant to a rulemaking as provided in section 339(c)(3) of the Communications Act of 1934 (47 U.S.C. 339(c)(3)), as that model may be amended by the Commission over time under such section to increase the accuracy of that model. Until such time as the Commission sets forth such model, a court shall rely on the predictive model as recommended by the Commission with respect to digital signals in its Report to Congress in ET Docket No. 05–182, FCC 05–199 (released December 9, 2005).”.

(2) Modifications to Statutory License Where Retransmissions Into Local Market Available.—Section 119(a)(3) (as redesignated) is amended—

(A) by striking “analog” each place it appears in a heading and text;
(B) by striking subparagraphs (B), (C), and (D), and inserting the following:

“(B) Rules for lawful subscribers as of date of enactment of 2009 Act.—In the case of a subscriber of a satellite carrier who, on the day before the date of the enactment of the Satellite Television Extension and Localism Act of 2010, was lawfully receiving the secondary transmission of the primary transmission of a network station under the statutory license under paragraph (2) (in this subparagraph referred to as the ‘distant signal’), other than subscribers to whom subparagraph (A) applies, the statutory license under paragraph (2) shall apply to secondary transmissions by that satellite carrier to that subscriber of the distant signal of a station affiliated with the same television network, and the subscriber’s household shall continue to be considered to be an unserved household with respect to such network, until such time as the subscriber elects to terminate such secondary transmissions, whether or not the subscriber elects to subscribe to receive the secondary transmission of the primary transmission of a
local network station affiliated with the same network pursuant to the statutory license under section 122.

“(C) Future applicability.—

“(i) When local signal available at time of subscription.—The statutory license under paragraph (2) shall not apply to the secondary transmission by a satellite carrier of the primary transmission of a network station to a person who is not a subscriber lawfully receiving such secondary transmission as of the date of the enactment of the Satellite Television Extension and Localism Act of 2010 and, at the time such person seeks to subscribe to receive such secondary transmission, resides in a local market where the satellite carrier makes available to that person the secondary transmission of the primary transmission of a local network station affiliated with the same network pursuant to the statutory license under section 122.

“(ii) When local signal available after subscription.—In the case of a subscriber who lawfully subscribes to and
receives the secondary transmission by a satellite carrier of the primary transmission of a network station under the statutory license under paragraph (2) (in this clause referred to as the ‘distant signal’) on or after the date of the enactment of the Satellite Television Extension and Localism Act of 2010, the statutory license under paragraph (2) shall apply to secondary transmissions by that satellite carrier to that subscriber of the distant signal of a station affiliated with the same television network, and the subscriber’s household shall continue to be considered to be an unserved household with respect to such network, until such time as the subscriber elects to terminate such secondary transmissions, but only if such subscriber subscribes to the secondary transmission of the primary transmission of a local network station affiliated with the same network within 60 days after the satellite carrier makes available to the subscriber such secondary transmission of the primary
transmission of such local network sta-

tion.”;

(C) by redesignating subparagraphs (E),
(F), and (G) as subparagraphs (D), (E), and
(F), respectively;

(D) in subparagraph (E) (as redesignated),
by striking “(C) or (D)” and inserting “(B) or
(C)”; and

(E) in subparagraph (F) (as redesignated),
by inserting “9-digit” before “zip code”.

(3) STATUTORY DAMAGES FOR TERRITORIAL
RESTRICTIONS.—Section 119(a)(6) (as redesignated)
is amended—

(A) in subparagraph (A)(ii), by striking
“$5” and inserting “$250”;

(B) in subparagraph (B)—

(i) in clause (i), by striking
“$250,000 for each 6-month period” and
inserting “$2,500,000 for each 3-month
period”; and

(ii) in clause (ii), by striking
“$250,000” and inserting “$2,500,000”;
and

(C) by adding at the end the following
flush sentences:
“The court shall direct one half of any statutory damages ordered under clause (i) to be deposited with the Register of Copyrights for distribution to copyright owners pursuant to subsection (b). The Copyright Royalty Judges shall issue regulations establishing procedures for distributing such funds, on a proportional basis, to copyright owners whose works were included in the secondary transmissions that were the subject of the statutory damages.”.

(4) Technical Amendment.—Section 119(a)(4) (as redesignated) is amended by striking “and 509”.

(5) Clerical Amendment.—Section 119(a)(2)(B)(iii)(II) is amended by striking “In this clause” and inserting “In this clause,.”.

(j) Moratorium Extension.—Section 119(e) is amended by striking “February 28, 2010” and inserting “December 31, 2014”.

(k) Clerical Amendments.—Section 119 is amended—

(1) by striking “of the Code of Federal Regulations” each place it appears and inserting “, Code of Federal Regulations”; and
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(2) in subsection (d)(6), by striking “or the Di-
rect” and inserting “, or the Direct”.

SEC. 903. MODIFICATIONS TO STATUTORY LICENSE FOR
SATELLITE CARRIERS IN LOCAL MARKETS.

(a) HEADING RENAMED.—

(1) IN GENERAL.—The heading of section 122
is amended by striking “by satellite carriers
within local markets” and inserting “of local
television programming by satellite”.

(2) TABLE OF CONTENTS.—The table of con-
tents for chapter 1 is amended by striking the item
relating to section 122 and inserting the following:

“122. Limitations on exclusive rights: Secondary transmissions of local television
programming by satellite.”.

(b) STATUTORY LICENSE.—Section 122(a) is amend-
ed to read as follows:

“(a) SECONDARY TRANSMISSIONS INTO LOCAL MAR-
KETS.—

“(1) SECONDARY TRANSMISSIONS OF TELE-
VISION BROADCAST STATIONS WITHIN A LOCAL MAR-
KET.—A secondary transmission of a performance
or display of a work embodied in a primary trans-
mission of a television broadcast station into the sta-
tion’s local market shall be subject to statutory li-
censing under this section if—
“(A) the secondary transmission is made by a satellite carrier to the public;

“(B) with regard to secondary transmissions, the satellite carrier is in compliance with the rules, regulations, or authorizations of the Federal Communications Commission governing the carriage of television broadcast station signals; and

“(C) the satellite carrier makes a direct or indirect charge for the secondary transmission to—

“(i) each subscriber receiving the secondary transmission; or

“(ii) a distributor that has contracted with the satellite carrier for direct or indirect delivery of the secondary transmission to the public.

“(2) SIGNIFICANTLY VIEWED STATIONS.—

“(A) IN GENERAL.—A secondary transmission of a performance or display of a work embodied in a primary transmission of a television broadcast station to subscribers who receive secondary transmissions of primary transmissions under paragraph (1) shall be subject to statutory licensing under this paragraph if
the secondary transmission is of the primary
transmission of a network station or a non-net-
work station to a subscriber who resides outside
the station’s local market but within a commu-
nity in which the signal has been determined by
the Federal Communications Commission to be
significantly viewed in such community, pursu-
ant to the rules, regulations, and authorizations
of the Federal Communications Commission in
effect on April 15, 1976, applicable to deter-
mining with respect to a cable system whether
signals are significantly viewed in a community.

“(B) WAIVER.—A subscriber who is denied
the secondary transmission of the primary
transmission of a network station or a non-net-
work station under subparagraph (A) may re-
quest a waiver from such denial by submitting
a request, through the subscriber’s satellite car-
rrier, to the network station or non-network sta-
tion in the local market affiliated with the same
network or non-network where the subscriber is
located. The network station or non-network
station shall accept or reject the subscriber’s re-
quest for a waiver within 30 days after receipt
of the request. If the network station or non-
network station fails to accept or reject the subscriber’s request for a waiver within that 30-day period, that network station or non-network station shall be deemed to agree to the waiver request.

“(3) SECONDARY TRANSMISSION OF LOW POWER PROGRAMMING.—

“(A) IN GENERAL.—Subject to subparagraphs (B) and (C), a secondary transmission of a performance or display of a work embodied in a primary transmission of a television broadcast station to subscribers who receive secondary transmissions of primary transmissions under paragraph (1) shall be subject to statutory licensing under this paragraph if the secondary transmission is of the primary transmission of a television broadcast station that is licensed as a low power television station, to a subscriber who resides within the same designated market area as the station that originates the transmission.

“(B) NO APPLICABILITY TO REPEATERS AND TRANSLATORS.—Secondary transmissions provided for in subparagraph (A) shall not apply to any low power television station that
retransmits the programs and signals of another television station for more than 2 hours each day.

“(C) No impact on other secondary transmissions obligations.—A satellite carrier that makes secondary transmissions of a primary transmission of a low power television station under a statutory license provided under this section is not required, by reason of such secondary transmissions, to make any other secondary transmissions.

“(4) Special exceptions.—A secondary transmission of a performance or display of a work embodied in a primary transmission of a television broadcast station to subscribers who receive secondary transmissions of primary transmissions under paragraph (1) shall, if the secondary transmission is made by a satellite carrier that complies with the requirements of paragraph (1), be subject to statutory licensing under this paragraph as follows:

“(A) States with single full-power network station.—In a State in which there is licensed by the Federal Communications Commission a single full-power station that was
a network station on January 1, 1995, the statutory license provided for in this paragraph shall apply to the secondary transmission by a satellite carrier of the primary transmission of that station to any subscriber in a community that is located within that State and that is not within the first 50 television markets as listed in the regulations of the Commission as in effect on such date (47 C.F.R. 76.51).

“(B) STATES WITH ALL NETWORK STATIONS AND NON-NETWORK STATIONS IN SAME LOCAL MARKET.—In a State in which all network stations and non-network stations licensed by the Federal Communications Commission within that State as of January 1, 1995, are assigned to the same local market and that local market does not encompass all counties of that State, the statutory license provided under this paragraph shall apply to the secondary transmission by a satellite carrier of the primary transmissions of such station to all subscribers in the State who reside in a local market that is within the first 50 major television markets as listed in the regulations of the Com-
mission as in effect on such date (section 76.51

“(C) ADDITIONAL STATIONS.—In the case
of that State in which are located 4 counties
that—

“(i) on January 1, 2004, were in local
markets principally comprised of counties
in another State, and

“(ii) had a combined total of 41,340
television households, according to the U.S.
Television Household Estimates by Nielsen
Media Research for 2004,

the statutory license provided under this para-
graph shall apply to secondary transmissions by
a satellite carrier to subscribers in any such
county of the primary transmissions of any net-
work station located in that State, if the sat-
ellite carrier was making such secondary trans-
missions to any subscribers in that county on

“(D) CERTAIN ADDITIONAL STATIONS.—If
2 adjacent counties in a single State are in a
local market comprised principally of counties
located in another State, the statutory license
provided for in this paragraph shall apply to
the secondary transmission by a satellite carrier
to subscribers in those 2 counties of the pri-
mary transmissions of any network station lo-
cated in the capital of the State in which such
2 counties are located, if—

“(i) the 2 counties are located in a
local market that is in the top 100 markets
for the year 2003 according to Nielsen
Media Research; and

“(ii) the total number of television
households in the 2 counties combined did
not exceed 10,000 for the year 2003 ac-
cording to Nielsen Media Research.

“(E) NETWORKS OF NONCOMMERCIAL
EDUCATIONAL BROADCAST STATIONS.—In the
case of a system of three or more noncommer-
cial educational broadcast stations licensed to a
single State, public agency, or political, edu-
cational, or special purpose subdivision of a
State, the statutory license provided for in this
paragraph shall apply to the secondary trans-
mission of the primary transmission of such
system to any subscriber in any county or coun-
ty equivalent within such State, if such sub-
scriber is located in a designated market area
that is not otherwise eligible to receive the secondary transmission of the primary transmission of a noncommercial educational broadcast station located within the State pursuant to paragraph (1).

“(5) Applicability of royalty rates and procedures.—The royalty rates and procedures under section 119(b) shall apply to the secondary transmissions to which the statutory license under paragraph (4) applies.”.

(c) Reporting Requirements.—Section 122(b) is amended—

(1) in paragraph (1), by striking “station a list” and all that follows through the end and inserting the following: “station—

“(A) a list identifying (by name in alphabetical order and street address, including county and 9-digit zip code) all subscribers to which the satellite carrier makes secondary transmissions of that primary transmission under subsection (a); and

“(B) a separate list, aggregated by designated market area (by name and address, including street or rural route number, city, State, and 9-digit zip code), which shall indicate
those subscribers being served pursuant to paragraph (2) of subsection (a).”; and

(2) in paragraph (2), by striking “network a list” and all that follows through the end and inserting the following: “network—

“(A) a list identifying (by name in alphabetical order and street address, including county and 9-digit zip code) any subscribers who have been added or dropped as subscribers since the last submission under this subsection; and

“(B) a separate list, aggregated by designated market area (by name and street address, including street or rural route number, city, State, and 9-digit zip code), identifying those subscribers whose service pursuant to paragraph (2) of subsection (a) has been added or dropped since the last submission under this subsection.”.

(d) NO ROYALTY FEE FOR CERTAIN SECONDARY TRANSMISSIONS.—Section 122(c) is amended—

(1) in the heading, by inserting “FOR CERTAIN SECONDARY TRANSMISSIONS” after “REQUIRED”; and
(2) by striking “subsection (a)” and inserting paragraphs (1), (2), and (3) of subsection (a”).

(c) Violations for Territorial Restrictions.—

(1) Modification to statutory damages.—

Section 122(f) is amended—

(A) in paragraph (1)(B), by striking “$5” and inserting “$250”; and

(B) in paragraph (2), by striking “$250,000” each place it appears and inserting “$2,500,000”.

(2) Conforming Amendments for Additional Stations.—Section 122 is amended—

(A) in subsection (f), by striking “section 119 or” each place it appears and inserting the following: “section 119, subject to statutory licensing by reason of paragraph (2)(A), (3), or (4) of subsection (a), or subject to”; and

(B) in subsection (g), by striking “section 119 or” and inserting the following: “section 119, paragraph (2)(A), (3), or (4) of subsection (a), or”.

(f) Definitions.—Section 122(j) is amended—

(1) in paragraph (1), by striking “which contracts” and inserting “that contracts”;
(2) by redesignating paragraphs (4) and (5) as paragraphs (6) and (7), respectively;

(3) in paragraph (3)—

(A) by redesignating such paragraph as paragraph (4);

(B) in the heading of such paragraph, by inserting "NON-NETWORK STATION;" after "NETWORK STATION;"; and

(C) by inserting "'non-network station','" after "'network station','";

(4) by inserting after paragraph (2) the following:

"(3) LOW POWER TELEVISION STATION.—The term 'low power television station' means a low power TV station as defined in section 74.701(f) of title 47, Code of Federal Regulations, as in effect on June 1, 2004. For purposes of this paragraph, the term 'low power television station' includes a low power television station that has been accorded primary status as a Class A television licensee under section 73.6001(a) of title 47, Code of Federal Regulations.";

(5) by inserting after paragraph (4) (as redesignated) the following:
“(5) Noncommercial educational broadcast station.—The term ‘noncommercial educational broadcast station’ means a television broadcast station that is a noncommercial educational broadcast station as defined in section 397 of the Communications Act of 1934, as in effect on the date of the enactment of the Satellite Television Extension and Localism Act of 2010.”; and

(6) by amending paragraph (6) (as redesignated) to read as follows:

“(6) Subscriber.—The term ‘subscriber’ means a person or entity that receives a secondary transmission service from a satellite carrier and pays a fee for the service, directly or indirectly, to the satellite carrier or to a distributor.”.

SEC. 904. MODIFICATIONS TO CABLE SYSTEM SECONDARY TRANSMISSION RIGHTS UNDER SECTION 111.

(a) Heading Renamed.—

(1) In General.—The heading of section 111 is amended by inserting at the end the following:

“of broadcast programming by cable”.

(2) Table of Contents.—The table of contents for chapter 1 is amended by striking the item relating to section 111 and inserting the following:

“111. Limitations on exclusive rights: Secondary transmissions of broadcast programming by cable.”.
(b) Technical Amendment.—Section 111(a)(4) is amended by striking “; or” and inserting “or section 122;”.

(c) Statutory License for Secondary Transmissions by Cable Systems.—Section 111(d) is amended—

(1) in paragraph (1)—

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

(i) by striking “A cable system whose secondary” and inserting the following:

“STATEMENT OF ACCOUNT AND ROYALTY FEES.—Subject to paragraph (5), a cable system whose secondary”; and

(ii) by striking “by regulation—” and inserting “by regulation the following:”;  

(B) in subparagraph (A)—

(i) by striking “a statement of account” and inserting “A statement of account”; and

(ii) by striking “; and” and inserting a period; and

(C) by striking subparagraphs (B), (C), and (D) and inserting the following:
“(B) Except in the case of a cable system whose royalty fee is specified in subparagraph (E) or (F), a total royalty fee payable to copyright owners pursuant to paragraph (3) for the period covered by the statement, computed on the basis of specified percentages of the gross receipts from subscribers to the cable service during such period for the basic service of providing secondary transmissions of primary broadcast transmitters, as follows:

“(i) 1.064 percent of such gross receipts for the privilege of further transmitting, beyond the local service area of such primary transmitter, any non-network programming of a primary transmitter in whole or in part, such amount to be applied against the fee, if any, payable pursuant to clauses (ii) through (iv);

“(ii) 1.064 percent of such gross receipts for the first distant signal equivalent;

“(iii) 0.701 percent of such gross receipts for each of the second, third, and fourth distant signal equivalents; and
“(iv) 0.330 percent of such gross receipts for the fifth distant signal equivalent and each distant signal equivalent thereafter.

“(C) In computing amounts under clauses (ii) through (iv) of subparagraph (B)—

“(i) any fraction of a distant signal equivalent shall be computed at its fractional value;

“(ii) in the case of any cable system located partly within and partly outside of the local service area of a primary transmitter, gross receipts shall be limited to those gross receipts derived from subscribers located outside of the local service area of such primary transmitter; and

“(iii) if a cable system provides a secondary transmission of a primary transmitter to some but not all communities served by that cable system—

“(I) the gross receipts and the distant signal equivalent values for such secondary transmission shall be derived solely on the basis of the subscribers in those communities where
the cable system provides such secondary transmission; and

“(II) the total royalty fee for the period paid by such system shall not be less than the royalty fee calculated under subparagraph (B)(i) multiplied by the gross receipts from all subscribers to the system.

“(D) A cable system that, on a statement submitted before the date of the enactment of the Satellite Television Extension and Localism Act of 2010, computed its royalty fee consistent with the methodology under subparagraph (C)(iii), or that amends a statement filed before such date of enactment to compute the royalty fee due using such methodology, shall not be subject to an action for infringement, or eligible for any royalty refund or offset, arising out of its use of such methodology on such statement.

“(E) If the actual gross receipts paid by subscribers to a cable system for the period covered by the statement for the basic service of providing secondary transmissions of primary broadcast transmitters are $263,800 or less—
“(i) gross receipts of the cable system for the purpose of this paragraph shall be computed by subtracting from such actual gross receipts the amount by which $263,800 exceeds such actual gross receipts, except that in no case shall a cable system’s gross receipts be reduced to less than $10,400; and

“(ii) the royalty fee payable under this paragraph to copyright owners pursuant to paragraph (3) shall be 0.5 percent, regardless of the number of distant signal equivalents, if any.

“(F) If the actual gross receipts paid by subscribers to a cable system for the period covered by the statement for the basic service of providing secondary transmissions of primary broadcast transmitters are more than $263,800 but less than $527,600, the royalty fee payable under this paragraph to copyright owners pursuant to paragraph (3) shall be—

“(i) 0.5 percent of any gross receipts up to $263,800, regardless of the number of distant signal equivalents, if any; and
“(ii) 1 percent of any gross receipts in excess of $263,800, but less than $527,600, regardless of the number of distant signal equivalents, if any.

“(G) A filing fee, as determined by the Register of Copyrights pursuant to section 708(a).”;

(2) in paragraph (2), in the first sentence—

(A) by striking “The Register of Copyrights” and inserting the following “HANDLING OF FEES.—The Register of Copyrights”; and

(B) by inserting “(including the filing fee specified in paragraph (1)(G))” after “shall receive all fees”;

(3) in paragraph (3)—

(A) by striking “The royalty fees” and inserting the following: “DISTRIBUTION OF ROYALTY FEES TO COPYRIGHT OWNERS.—The royalty fees”;

(B) in subparagraph (A)—

(i) by striking “any such” and inserting “Any such”; and

(ii) by striking “; and” and inserting a period;

(C) in subparagraph (B)—
(i) by striking “any such” and inserting “Any such”; and

(ii) by striking the semicolon and inserting a period; and

(D) in subparagraph (C), by striking “any such” and inserting “Any such”;

(4) in paragraph (4), by striking “The royalty fees” and inserting the following: “PROCEDURES FOR ROYALTY FEE DISTRIBUTION.—The royalty fees”; and

(5) by adding at the end the following new paragraphs:

“(5) 3.75 PERCENT RATE AND SYNDICATED EXCLUSIVITY SURCHARGE NOT APPLICABLE TO MULTICAST STREAMS.—The royalty rates specified in sections 256.2(c) and 256.2(d) of title 37, Code of Federal Regulations (commonly referred to as the ‘3.75 percent rate’ and the ‘syndicated exclusivity surcharge’, respectively), as in effect on the date of the enactment of the Satellite Television Extension and Localism Act of 2010, as such rates may be adjusted, or such sections redesignated, thereafter by the Copyright Royalty Judges, shall not apply to the secondary transmission of a multicast stream.
“(6) Verification of accounts and fee payments.—The Register of Copyrights shall issue regulations to provide for the confidential verification by copyright owners whose works were embodied in the secondary transmissions of primary transmissions pursuant to this section of the information reported on the semiannual statements of account filed under this subsection on or after January 1, 2010, in order that the auditor designated under subparagraph (A) is able to confirm the correctness of the calculations and royalty payments reported therein. The regulations shall—

“(A) establish procedures for the designation of a qualified independent auditor—

“(i) with exclusive authority to request verification of such a statement of account on behalf of all copyright owners whose works were the subject of secondary transmissions of primary transmissions by the cable system (that deposited the statement) during the accounting period covered by the statement; and

“(ii) who is not an officer, employee, or agent of any such copyright owner for any purpose other than such audit;
“(B) establish procedures for safeguarding all non-public financial and business information provided under this paragraph;

“(C)(i) require a consultation period for the independent auditor to review its conclusions with a designee of the cable system;

“(ii) establish a mechanism for the cable system to remedy any errors identified in the auditor’s report and to cure any underpayment identified; and

“(iii) provide an opportunity to remedy any disputed facts or conclusions;

“(D) limit the frequency of requests for verification for a particular cable system and the number of audits that a multiple system operator can be required to undergo in a single year; and

“(E) permit requests for verification of a statement of account to be made only within 3 years after the last day of the year in which the statement of account is filed.

“(7) ACCEPTANCE OF ADDITIONAL DEPOSITS.— Any royalty fee payments received by the Copyright Office from cable systems for the secondary transmission of primary transmissions that are in addi-
tion to the payments calculated and deposited in accordance with this subsection shall be deemed to have been deposited for the particular accounting period for which they are received and shall be distributed as specified under this subsection.”.

(d) EFFECTIVE DATE OF NEW ROYALTY FEE RATES.—The royalty fee rates established in section 111(d)(1)(B) of title 17, United States Code, as amended by subsection (c)(1)(C) of this section, shall take effect commencing with the first accounting period occurring in 2010.

(e) DEFINITIONS.—Section 111(f) is amended—

(1) by striking the first undesignated paragraph and inserting the following:

“(1) PRIMARY TRANSMISSION.—A ‘primary transmission’ is a transmission made to the public by a transmitting facility whose signals are being received and further transmitted by a secondary transmission service, regardless of where or when the performance or display was first transmitted. In the case of a television broadcast station, the primary stream and any multicast streams transmitted by the station constitute primary transmissions.”;

(2) in the second undesignated paragraph—
(A) by striking “A ‘secondary transmission’” and inserting the following:

“(2) SECONDARY TRANSMISSION.—A ‘secondary transmission’”; and

(B) by striking “‘cable system’” and inserting “cable system”;

(3) in the third undesignated paragraph—

(A) by striking “A ‘cable system’” and inserting the following:

“(3) CABLE SYSTEM.—A ‘cable system’”; and

(B) by striking “Territory, Trust Territory, or Possession” and inserting “territory, trust territory, or possession of the United States”;

(4) in the fourth undesignated paragraph, in the first sentence—

(A) by striking “The ‘local service area of a primary transmitter’, in the case of a television broadcast station, comprises the area in which such station is entitled to insist” and inserting the following:

“(4) LOCAL SERVICE AREA OF A PRIMARY TRANSMITTER.—The ‘local service area of a primary transmitter’, in the case of both the primary stream and any multicast streams transmitted by a primary
transmitter that is a television broadcast station, comprises the area where such primary transmitter could have insisted’’;

(B) by striking “76.59 of title 47 of the Code of Federal Regulations” and inserting the following: “76.59 of title 47, Code of Federal Regulations, or within the noise-limited contour as defined in 73.622(c)(1) of title 47, Code of Federal Regulations”; and

(C) by striking “as defined by the rules and regulations of the Federal Communications Commission,”;

(5) by amending the fifth undesignated paragraph to read as follows:

“(5) DISTANT SIGNAL EQUIVALENT.—

“(A) IN GENERAL.—Except as provided under subparagraph (B), a ‘distant signal equivalent’—

“(i) is the value assigned to the secondary transmission of any non-network television programming carried by a cable system in whole or in part beyond the local service area of the primary transmitter of such programming; and
“(ii) is computed by assigning a value of one to each primary stream and to each multicast stream (other than a simulcast) that is an independent station, and by assigning a value of one-quarter to each primary stream and to each multicast stream (other than a simulcast) that is a network station or a noncommercial educational station.

“(B) EXCEPTIONS.—The values for independent, network, and noncommercial educational stations specified in subparagraph (A) are subject to the following:

“(i) Where the rules and regulations of the Federal Communications Commission require a cable system to omit the further transmission of a particular program and such rules and regulations also permit the substitution of another program embodying a performance or display of a work in place of the omitted transmission, or where such rules and regulations in effect on the date of the enactment of the Copyright Act of 1976 permit a cable system, at its election, to effect such omission
and substitution of a nonlive program or to carry additional programs not transmitted by primary transmitters within whose local service area the cable system is located, no value shall be assigned for the substituted or additional program.

“(ii) Where the rules, regulations, or authorizations of the Federal Communications Commission in effect on the date of the enactment of the Copyright Act of 1976 permit a cable system, at its election, to omit the further transmission of a particular program and such rules, regulations, or authorizations also permit the substitution of another program embodying a performance or display of a work in place of the omitted transmission, the value assigned for the substituted or additional program shall be, in the case of a live program, the value of one full distant signal equivalent multiplied by a fraction that has as its numerator the number of days in the year in which such substitution occurs and as its denominator the number of days in the year.
“(iii) In the case of the secondary transmission of a primary transmitter that is a television broadcast station pursuant to the late-night or specialty programming rules of the Federal Communications Commission, or the secondary transmission of a primary transmitter that is a television broadcast station on a part-time basis where full-time carriage is not possible because the cable system lacks the activated channel capacity to retransmit on a full-time basis all signals that it is authorized to carry, the values for independent, network, and noncommercial educational stations set forth in subparagraph (A), as the case may be, shall be multiplied by a fraction that is equal to the ratio of the broadcast hours of such primary transmitter retransmitted by the cable system to the total broadcast hours of the primary transmitter.

“(iv) No value shall be assigned for the secondary transmission of the primary stream or any multicast streams of a primary transmitter that is a television broad-
cast station in any community that is within the local service area of the primary transmitter.”;

(6) by striking the sixth undesigned paragraph and inserting the following:

“(6) NETWORK STATION.—

“(A) TREATMENT OF PRIMARY STREAM.—
The term ‘network station’ shall be applied to a primary stream of a television broadcast station that is owned or operated by, or affiliated with, one or more of the television networks in the United States providing nationwide transmissions, and that transmits a substantial part of the programming supplied by such networks for a substantial part of the primary stream’s typical broadcast day.

“(B) TREATMENT OF MULTICAST STREAMS.—The term ‘network station’ shall be applied to a multicast stream on which a television broadcast station transmits all or substantially all of the programming of an interconnected program service that—

“(i) is owned or operated by, or affiliated with, one or more of the television
networks described in subparagraph (A);
and

“(ii) offers programming on a regular
basis for 15 or more hours per week to at
least 25 of the affiliated television licensees
of the interconnected program service in
10 or more States.”;

(7) by striking the seventh undesignated para-
graph and inserting the following:

“(7) INDEPENDENT STATION.—The term ‘independent station’ shall be applied to the primary
stream or a multicast stream of a television broadcast station that is not a network station or a non-
commercial educational station.”;

(8) by striking the eighth undesignated para-
graph and inserting the following:

“(8) NONCOMMERCIAL EDUCATIONAL STATION.—The term ‘noncommercial educational station’ shall be applied to the primary stream or a multicast stream of a television broadcast station that is a noncommercial educational broadcast station as defined in section 397 of the Communications Act of 1934, as in effect on the date of the enactment of the Satellite Television Extension and Localism Act of 2010.”; and
(9) by adding at the end the following:

“(9) PRIMARY STREAM.—A ‘primary stream’
is—

“(A) the single digital stream of programming that, before June 12, 2009, was substantially duplicating the programming transmitted by the television broadcast station as an analog signal; or

“(B) if there is no stream described in subparagraph (A), then the single digital stream of programming transmitted by the television broadcast station for the longest period of time.

“(10) PRIMARY TRANSMITTER.—A ‘primary transmitter’ is a television or radio broadcast station licensed by the Federal Communications Commission, or by an appropriate governmental authority of Canada or Mexico, that makes primary transmissions to the public.

“(11) MULTICAST STREAM.—A ‘multicast stream’ is a digital stream of programming that is transmitted by a television broadcast station and is not the station’s primary stream.

“(12) SIMULCAST.—A ‘simulcast’ is a multicast stream of a television broadcast station that dupli-
cates the programming transmitted by the primary
stream or another multicast stream of such station.

“(13) Subscriber; subscribe.—

“(A) Subscriber.—The term ‘subscriber’
means a person or entity that receives a sec-
secondary transmission service from a cable sys-
tem and pays a fee for the service, directly or
indirectly, to the cable system.

“(B) Subscribe.—The term ‘subscribe’
means to elect to become a subscriber.”.

(f) Timing of Section 111 Proceedings.—Section
804(b)(1) is amended by striking “2005” each place it ap-
ppears and inserting “2015”.

(g) Technical and Conforming Amendments.—

(1) Corrections to fix level designa-
tions.—Section 111 is amended—

(A) in subsections (a), (c), and (e), by
striking “clause” each place it appears and in-
serting “paragraph”; 

(B) in subsection (c)(1), by striking
“clauses” and inserting “paragraphs”; and 

(C) in subsection (e)(1)(F), by striking
“subclause” and inserting “subparagraph”.

(2) Conforming Amendment to Hyphenate
Nonnetwork.—Section 111 is amended by striking
“nonnetwork” each place it appears and inserting “non-network”.

(3) Previously Undesignated Paragraph.—Section 111(e)(1) is amended by striking “second paragraph of subsection (f)” and inserting “subsection (f)(2)”.

(4) Removal of Superfluous ANDS.—Section 111(e) is amended—

(A) in paragraph (1)(A), by striking “and” at the end;

(B) in paragraph (1)(B), by striking “and” at the end;

(C) in paragraph (1)(C), by striking “and” at the end;

(D) in paragraph (1)(D), by striking “and” at the end; and

(E) in paragraph (2)(A), by striking “and” at the end.

(5) Removal of Variant Forms References.—Section 111 is amended—

(A) in subsection (e)(4), by striking “, and each of its variant forms,”; and

(B) in subsection (f), by striking “and their variant forms”.

(6) Correction to territory reference.—

Section 111(e)(2) is amended in the matter preceding subparagraph (A) by striking “three territories” and inserting “five entities”.

(h) Effective date with respect to multicast streams.—

(1) In general.—Subject to paragraphs (2) and (3), the amendments made by this section, to the extent such amendments assign a distant signal equivalent value to the secondary transmission of the multicast stream of a primary transmitter, shall take effect on the date of the enactment of this Act.

(2) Delayed applicability.—

(A) Secondary transmissions of a multicast stream beyond the local service area of its primary transmitter before 2009 Act.—In any case in which a cable system was making secondary transmissions of a multicast stream beyond the local service area of its primary transmitter before the date of the enactment of this Act, a distant signal equivalent value (referred to in paragraph (1)) shall not be assigned to secondary transmissions of such multicast stream that are made on or before June 30, 2010.
(B) Multicast streams subject to preexisting written agreements for the secondary transmission of such streams.—In any case in which the secondary transmission of a multicast stream of a primary transmitter is the subject of a written agreement entered into on or before June 30, 2009, between a cable system or an association representing the cable system and a primary transmitter or an association representing the primary transmitter, a distant signal equivalent value (referred to in paragraph (1)) shall not be assigned to secondary transmissions of such multicast stream beyond the local service area of its primary transmitter that are made on or before the date on which such written agreement expires.

(C) No refunds or offsets for prior statements of account.—A cable system that has reported secondary transmissions of a multicast stream beyond the local service area of its primary transmitter on a statement of account deposited under section 111 of title 17, United States Code, before the date of the enactment of this Act shall not be entitled to any
refund, or offset, of royalty fees paid on account of such secondary transmissions of such multicast stream.

(3) DEFINITIONS.—In this subsection, the terms “cable system”, “secondary transmission”, “multicast stream”, and “local service area of a primary transmitter” have the meanings given those terms in section 111(f) of title 17, United States Code, as amended by this section.

SEC. 905. CERTAIN WAIVERS GRANTED TO PROVIDERS OF LOCAL-INTO-LOCAL SERVICE FOR ALL DMAS.

Section 119 is amended by adding at the end the following new subsection:

“(g) CERTAIN WAIVERS GRANTED TO PROVIDERS OF LOCAL-INTO-LOCAL SERVICE TO ALL DMAS.—

“(1) INJUNCTION WAIVER.—A court that issued an injunction pursuant to subsection (a)(7)(B) before the date of the enactment of this subsection shall waive such injunction if the court recognizes the entity against which the injunction was issued as a qualified carrier.

“(2) LIMITED TEMPORARY WAIVER.—

“(A) IN GENERAL.—Upon a request made by a satellite carrier, a court that issued an injunction against such carrier under subsection
(a)(7)(B) before the date of the enactment of this subsection shall waive such injunction with respect to the statutory license provided under subsection (a)(2) to the extent necessary to allow such carrier to make secondary transmissions of primary transmissions made by a network station to unserved households located in short markets in which such carrier was not providing local service pursuant to the license under section 122 as of December 31, 2009.

“(B) Expiration of temporary waiver.—A temporary waiver of an injunction under subparagraph (A) shall expire after the end of the 120-day period beginning on the date such temporary waiver is issued unless extended for good cause by the court making the temporary waiver.

“(C) Failure to provide local-into-local service to all DMAS.—

“(i) Failure to act reasonably and in good faith.—If the court issuing a temporary waiver under subparagraph (A) determines that the satellite carrier that made the request for such waiver has failed to act reasonably or has failed to
make a good faith effort to provide local-into-local service to all DMAs, such failure—

“(I) is actionable as an act of infringement under section 501 and the court may in its discretion impose the remedies provided for in sections 502 through 506 and subsection (a)(6)(B) of this section; and

“(II) shall result in the termination of the waiver issued under subparagraph (A).

“(ii) Failure to provide local-into-local service.—If the court issuing a temporary waiver under subparagraph (A) determines that the satellite carrier that made the request for such waiver has failed to provide local-into-local service to all DMAs, but determines that the carrier acted reasonably and in good faith, the court may in its discretion impose financial penalties that reflect—

“(I) the degree of control the carrier had over the circumstances that resulted in the failure;
“(II) the quality of the carrier’s efforts to remedy the failure; and

“(III) the severity and duration of any service interruption.

“(D) Single temporary waiver available.—An entity may only receive one temporary waiver under this paragraph.

“(E) Short market defined.—For purposes of this paragraph, the term ‘short market’ means a local market in which programming of one or more of the four most widely viewed television networks nationwide as measured on the date of the enactment of this subsection is not offered on the primary stream transmitted by any local television broadcast station.

“(3) Establishment of qualified carrier recognition.—

“(A) Statement of eligibility.—An entity seeking to be recognized as a qualified carrier under this subsection shall file a statement of eligibility with the court that imposed the injunction. A statement of eligibility must include—
“(i) an affidavit that the entity is providing local-into-local service to all DMAs;
“(ii) a request for a waiver of the injunction; and
“(iii) a certification issued pursuant to section 342(a) of Communications Act of 1934.

“(B) Grant of recognition as a qualified carrier.—Upon receipt of a statement of eligibility, the court shall recognize the entity as a qualified carrier and issue the waiver under paragraph (1).

“(C) Voluntary termination.—At any time, an entity recognized as a qualified carrier may file a statement of voluntary termination with the court certifying that it no longer wishes to be recognized as a qualified carrier. Upon receipt of such statement, the court shall reinstate the injunction waived under paragraph (1).

“(D) Loss of recognition prevents future recognition.—No entity may be recognized as a qualified carrier if such entity had previously been recognized as a qualified carrier and subsequently lost such recognition or volun-
tarily terminated such recognition under sub-
paragraph (C).

“(4) QUALIFIED CARRIER OBLIGATIONS AND
COMPLIANCE.—

“(A) CONTINUING OBLIGATIONS.—

“(i) IN GENERAL.—An entity recog-
nized as a qualified carrier shall continue
to provide local-into-local service to all
DMAs.

“(ii) COOPERATION WITH GAO EXAM-
INATION.—An entity recognized as a quali-
fied carrier shall fully cooperate with the
Comptroller General in the examination re-
quired by subparagraph (B).

“(B) QUALIFIED CARRIER COMPLIANCE
EXAMINATION.—

“(i) EXAMINATION AND REPORT.—
The Comptroller General shall conduct an
examination and publish a report con-
cerning the qualified carrier’s compliance
with the royalty payment and household
eligibility requirements of the license under
this section. The report shall address the
qualified carrier’s conduct during the pe-
period beginning on the date on which the
qualified carrier is recognized as such under paragraph (3)(B) and ending on December 31, 2011.

“(ii) Records of qualified carrier.—Beginning on the date that is one year after the date on which the qualified carrier is recognized as such under paragraph (3)(B), but not later than October 1, 2011, the qualified carrier shall provide the Comptroller General with all records that the Comptroller General, in consultation with the Register of Copyrights, considers to be directly pertinent to the following requirements under this section:

“(I) Proper calculation and payment of royalties under the statutory license under this section.

“(II) Provision of service under this license to eligible subscribers only.

“(iii) Submission of report.—The Comptroller General shall file the report required by clause (i) not later than March 1, 2012, with the court referred to in paragraph (1) that issued the injunction, the
Register of Copyrights, the Committees on the Judiciary and on Energy and Commerce of the House of Representatives, and the Committees on the Judiciary and on Commerce, Science, and Transportation of the Senate.

“(iv) Evidence of infringement.—The Comptroller General shall include in the report a statement of whether the examination by the Comptroller General indicated that there is substantial evidence that a copyright holder could bring a successful action under this section against the qualified carrier for infringement. The Comptroller General shall consult with the Register of Copyrights in preparing such statement.

“(v) Subsequent examination.—If the report includes the Comptroller General’s statement that there is substantial evidence that a copyright holder could bring a successful action under this section against the qualified carrier for infringement, the Comptroller General shall, not later than 6 months after the report under
clause (i) is published, initiate another ex-
amination of the qualified carrier’s compli-
ance with the royalty payment and house-
hold eligibility requirements of the license
under this section since the last report was
filed under clause (iii). The Comptroller
General shall file a report on such exam-
ination with the court referred to in para-
graph (1) that issued the injunction, the
Register of Copyrights, the Committees on
the Judiciary and on Energy and Com-
merce of the House of Representatives,
and the Committees on the Judiciary and
on Commerce, Science, and Transportation
of the Senate. The report shall include a
statement described in clause (iv), pre-
pared in consultation with the Register of
Copyrights.

“(vi) COMPLIANCE.—Upon motion
filed by an aggrieved copyright owner, the
court recognizing an entity as a qualified
carrier shall terminate such designation
upon finding that the entity has failed to
cooperate with the examinations required
by this subparagraph.
“(C) Affirmation.—A qualified carrier shall file an affidavit with the district court and the Register of Copyrights 30 months after such status was granted stating that, to the best of the affiant’s knowledge, it is in compliance with the requirements for a qualified carrier.

“(D) Compliance Determination.—Upon the motion of an aggrieved television broadcast station, the court recognizing an entity as a qualified carrier may make a determination of whether the entity is providing local-into-local service to all DMAs.

“(E) Pleading Requirement.—In any motion brought under subparagraph (D), the party making such motion shall specify one or more designated market areas (as such term is defined in section 122(j)(2)(C)) for which the failure to provide service is being alleged, and, for each such designated market area, shall plead with particularity the circumstances of the alleged failure.

“(F) Burden of Proof.—In any proceeding to make a determination under subparagraph (D), and with respect to a des-
ignated market area for which failure to provide service is alleged, the entity recognized as a qualified carrier shall have the burden of proving that the entity provided local-into-local service with a good quality satellite signal to at least 90 percent of the households in such designated market area (based on the most recent census data released by the United States Census Bureau) at the time and place alleged.

“(5) FAILURE TO PROVIDE SERVICE.—

“(A) PENALTIES.—If the court recognizing an entity as a qualified carrier finds that such entity has willfully failed to provide local-into-local service to all DMAs, such finding shall result in the loss of recognition of the entity as a qualified carrier and the termination of the waiver provided under paragraph (1), and the court may, in its discretion—

“(i) treat such failure as an act of infringement under section 501, and subject such infringement to the remedies provided for in sections 502 through 506 and subsection (a)(6)(B) of this section; and

“(ii) impose a fine of not less than $250,000 and not more than $5,000,000.
“(B) Exception for nonwillful violation.—If the court determines that the failure to provide local-into-local service to all DMAs is nonwillful, the court may in its discretion impose financial penalties for noncompliance that reflect—

“(i) the degree of control the entity had over the circumstances that resulted in the failure;

“(ii) the quality of the entity’s efforts to remedy the failure and restore service; and

“(iii) the severity and duration of any service interruption.

“(6) Penalties for violations of license.—A court that finds, under subsection (a)(6)(A), that an entity recognized as a qualified carrier has willfully made a secondary transmission of a primary transmission made by a network station and embodying a performance or display of a work to a subscriber who is not eligible to receive the transmission under this section shall reinstate the injunction waived under paragraph (1), and the court may order statutory damages of not more than $2,500,000.
“(7) LOCAL-INTO-LOCAL SERVICE TO ALL DMAS

DEFINED.—For purposes of this subsection:

“(A) IN GENERAL.—An entity provides ‘local-into-local service to all DMAs’ if the entity provides local service in all designated market areas (as such term is defined in section 122(j)(2)(C)) pursuant to the license under section 122.

“(B) HOUSEHOLD COVERAGE.—For purposes of subparagraph (A), an entity that makes available local-into-local service with a good quality satellite signal to at least 90 percent of the households in a designated market area based on the most recent census data released by the United States Census Bureau shall be considered to be providing local service to such designated market area.

“(C) GOOD QUALITY SATELLITE SIGNAL DEFINED.—The term ‘good quality signal’ has the meaning given such term under section 342(e)(2) of Communications Act of 1934.”.

SEC. 906. COPYRIGHT OFFICE FEES.

Section 708(a) is amended—

(1) in paragraph (8), by striking “and” after the semicolon;
(2) in paragraph (9), by striking the period and inserting a semicolon;

(3) by inserting after paragraph (9) the following:

“(10) on filing a statement of account based on secondary transmissions of primary transmissions pursuant to section 119 or 122; and

“(11) on filing a statement of account based on secondary transmissions of primary transmissions pursuant to section 111.”; and

(4) by adding at the end the following new sentence: “Fees established under paragraphs (10) and (11) shall be reasonable and may not exceed one-half of the cost necessary to cover reasonable expenses incurred by the Copyright Office for the collection and administration of the statements of account and any royalty fees deposited with such statements.”.

SEC. 907. TERMINATION OF LICENSE.

Section 1003(a)(2)(A) of Public Law 111-118 is amended by striking “February 28, 2010” and inserting “December 31, 2014”.

SEC. 908. CONSTRUCTION.

Nothing in section 111, 119, or 122 of title 17, United States Code, including the amendments made to such sections by this subtitle, shall be construed to affect
the meaning of any terms under the Communications Act of 1934, except to the extent that such sections are specifically cross-referenced in such Act or the regulations issued thereunder.

**Subtitle B—Communications Provisions**

**SEC. 921. REFERENCE.**

Except as otherwise provided, whenever in this sub-title an amendment is made to a section or other provision, the reference shall be considered to be made to such section or provision of the Communications Act of 1934 (47 U.S.C. 151 et seq.).

**SEC. 922. EXTENSION OF AUTHORITY.**

Section 325(b) is amended—

(1) in paragraph (2)(C), by striking “February 28, 2010” and inserting “December 31, 2014”; and

(2) in paragraph (3)(C), by striking “March 1, 2010” each place it appears in clauses (ii) and (iii) and inserting “January 1, 2015”.

**SEC. 923. SIGNIFICANTLY VIEWED STATIONS.**

(a) In General.—Paragraphs (1) and (2) of section 340(b) are amended to read as follows:

“(1) Service limited to subscribers taking local-into-local service.—This section shall apply only to retransmissions to subscribers of a sat-
ellite carrier who receive retransmissions of a signal from that satellite carrier pursuant to section 338.

“(2) SERVICE LIMITATIONS.—A satellite carrier may retransmit to a subscriber in high definition format the signal of a station determined by the Commission to be significantly viewed under subsection (a) only if such carrier also retransmits in high definition format the signal of a station located in the local market of such subscriber and affiliated with the same network whenever such format is available from such station.”.

(b) RULEMAKING REQUIRED.—Within 180 days after the date of the enactment of this Act, the Federal Communications Commission shall take all actions necessary to promulgate a rule to implement the amendments made by subsection (a).

SEC. 924. DIGITAL TELEVISION TRANSITION CONFORMING AMENDMENTS.

(a) Section 338.—Section 338 is amended—

(1) in subsection (a), by striking “(3) EFFECTIVE DATE.—No satellite” and all that follows through “until January 1, 2002.”; and

(2) by amending subsection (g) to read as follows:
“(g) Carriage of Local Stations on a Single Reception Antenna.—

“(1) Single reception antenna.—Each satellite carrier that retransmits the signals of local television broadcast stations in a local market shall retransmit such stations in such market so that a subscriber may receive such stations by means of a single reception antenna and associated equipment.

“(2) Additional reception antenna.—If the carrier retransmits the signals of local television broadcast stations in a local market in high definition format, the carrier shall retransmit such signals in such market so that a subscriber may receive such signals by means of a single reception antenna and associated equipment, but such antenna and associated equipment may be separate from the single reception antenna and associated equipment used to comply with paragraph (1).”.

(b) Section 339.—Section 339 is amended—

(1) in subsection (a)—

(A) in paragraph (1)(B), by striking “Such two network stations” and all that follows through “more than two network stations.”;

and

(B) in paragraph (2)—
(i) in the heading for subparagraph (A), by striking “TO ANALOG SIGNALS”;

(ii) in subparagraph (A)—

(I) in the heading for clause (i), by striking “ANALOG”; 

(II) in clause (i)—

(aa) by striking “analog” each place it appears; and

(bb) by striking “October 1, 2004” and inserting “October 1, 2009”; 

(III) in the heading for clause (ii), by striking “ANALOG”; and 

(IV) in clause (ii)—

(aa) by striking “analog” each place it appears; and

(bb) by striking “2004” and inserting “2009”; 

(iii) by amending subparagraph (B) to read as follows:

“(B) RULES FOR OTHER SUBSCRIBERS.—

“(i) IN GENERAL.—In the case of a subscriber of a satellite carrier who is eligible to receive the signal of a network station under this section (in this subpara-
graph referred to as a ‘distant signal’),

other than subscribers to whom subparagraph (A) applies, the following shall apply:

“(I) In a case in which the satellite carrier makes available to that subscriber, on January 1, 2005, the signal of a local network station affiliated with the same television network pursuant to section 338, the carrier may only provide the secondary transmissions of the distant signal of a station affiliated with the same network to that subscriber if the subscriber’s satellite carrier, not later than March 1, 2005, submits to that television network the list and statement required by subparagraph (F)(i).

“(II) In a case in which the satellite carrier does not make available to that subscriber, on January 1, 2005, the signal of a local network station pursuant to section 338, the carrier may only provide the secondary transmissions of the distant
signal of a station affiliated with the same network to that subscriber if—

“(aa) that subscriber seeks to subscribe to such distant signal before the date on which such carrier commences to carry pursuant to section 338 the signals of stations from the local market of such local network station; and

“(bb) the satellite carrier, within 60 days after such date, submits to each television network the list and statement required by subparagraph (F)(ii).

“(ii) SPECIAL CIRCUMSTANCES.—A subscriber of a satellite carrier who was lawfully receiving the distant signal of a network station on the day before the date of enactment of the Satellite Television Extension and Localism Act of 2010 may receive both such distant signal and the local signal of a network station affiliated with the same network until such subscriber chooses to no longer receive such distant signal from such carrier, whether or not
such subscriber elects to subscribe to such local signal.”;

(iv) in subparagraph (C)—

(I) by striking “analog”;

(II) in clause (i), by striking “the Satellite Home Viewer Extension and Reauthorization Act of 2004; and”

and inserting the following:

“the Satellite Television Extension and Localism Act of 2010 and, at the time such person seeks to subscribe to receive such secondary transmission, resides in a local market where the satellite carrier makes available to that person the signal of a local network station affiliated with the same television network pursuant to section 338 (and the retransmission of such signal by such carrier can reach such subscriber); or”; and

(III) by amending clause (ii) to read as follows:

“(ii) lawfully subscribes to and receives a distant signal on or after the date of enactment of the Satellite Television Extension and Localism Act of 2010, and,
subsequent to such subscription, the satellite carrier makes available to that subscriber the signal of a local network station affiliated with the same network as the distant signal (and the retransmission of such signal by such carrier can reach such subscriber), unless such person subscribes to the signal of the local network station within 60 days after such signal is made available.”;

(v) in subparagraph (D)—

(I) in the heading, by striking “DIGITAL”;

(II) by striking clauses (i), (iii) through (v), (vii) through (ix), and (xi);

(III) by redesignating clause (vi) as clause (i) and transferring such clause to appear before clause (ii);

(IV) by amending such clause (i) (as so redesignated) to read as follows:

“(i) ELIGIBILITY AND SIGNAL TESTING.—A subscriber of a satellite carrier shall be eligible to receive a distant signal
of a network station affiliated with the same network under this section if, with respect to a local network station, such subscriber—

“(I) is a subscriber whose household is not predicted by the model specified in subsection (c)(3) to receive the signal intensity required under section 73.622(e)(1) or, in the case of a low-power station or translator station transmitting an analog signal, section 73.683(a) of title 47, Code of Federal Regulations, or a successor regulation;

“(II) is determined, based on a test conducted in accordance with section 73.686(d) of title 47, Code of Federal Regulations, or any successor regulation, not to be able to receive a signal that exceeds the signal intensity standard in section 73.622(e)(1) or, in the case of a low-power station or translator station transmitting an analog signal, section 73.683(a) of
such title, or a successor regulation;

or

“(III) is in an unserved household, as determined under section 119(d)(10)(A) of title 17, United States Code.”;

(V) in clause (ii)—

(aa) by striking “DIGITAL” in the heading;

(bb) by striking “digital” the first two places such term appears;

(cc) by striking “Satellite Home Viewer Extension and Reauthorization Act of 2004” and inserting “Satellite Television Extension and Localism Act of 2010”; and

(dd) by striking “, whether or not such subscriber elects to subscribe to local digital signals”; (VI) by inserting after clause (ii) the following new clause:

“(iii) TIME-SHIFTING PROHIBITED.—

In a case in which the satellite carrier
makes available to an eligible subscriber under this subparagraph the signal of a local network station pursuant to section 338, the carrier may only provide the distant signal of a station affiliated with the same network to that subscriber if, in the case of any local market in the 48 contiguous States of the United States, the distant signal is the secondary transmission of a station whose prime time network programming is generally broadcast simultaneously with, or later than, the prime time network programming of the affiliate of the same network in the local market.”; and

(VII) by redesignating clause (x) as clause (iv); and

(vi) in subparagraph (E), by striking “distant analog signal or” and all that follows through “(B), or (D))” and inserting “distant signal”;

(2) in subsection (c)—

(A) by amending paragraph (3) to read as follows:
“(3) Establishment of improved predictive model and on-location testing required.—

“(A) Predictive model.—Within 180 days after the date of the enactment of the Satellite Television Extension and Localism Act of 2010, the Commission shall develop and prescribe by rule a point-to-point predictive model for reliably and presumptively determining the ability of individual locations, through the use of an antenna, to receive signals in accordance with the signal intensity standard in section 73.622(e)(1) of title 47, Code of Federal Regulations, or a successor regulation, including to account for the continuing operation of translator stations and low power television stations. In prescribing such model, the Commission shall rely on the Individual Location Longley-Rice model set forth by the Commission in CS Docket No. 98-201, as previously revised with respect to analog signals, and as recommended by the Commission with respect to digital signals in its Report to Congress in ET Docket No. 05-182, FCC 05-199 (released December 9, 2005). The Commission shall establish proce-
dures for the continued refinement in the application of the model by the use of additional data as it becomes available.

“(B) ON-LOCATION TESTING.—The Commission shall issue an order completing its rulemaking proceeding in ET Docket No. 06–94 within 180 days after the date of enactment of the Satellite Television Extension and Localism Act of 2010. In conducting such rulemaking, the Commission shall seek ways to minimize consumer burdens associated with on-location testing.”;

(B) by amending paragraph (4)(A) to read as follows:

“(A) IN GENERAL.—If a subscriber’s request for a waiver under paragraph (2) is rejected and the subscriber submits to the subscriber’s satellite carrier a request for a test verifying the subscriber’s inability to receive a signal of the signal intensity referenced in clause (i) of subsection (a)(2)(D), the satellite carrier and the network station or stations asserting that the retransmission is prohibited with respect to that subscriber shall select a qualified and independent person to conduct the
test referenced in such clause. Such test shall be conducted within 30 days after the date the subscriber submits a request for the test. If the written findings and conclusions of a test conducted in accordance with such clause demonstrate that the subscriber does not receive a signal that meets or exceeds the requisite signal intensity standard in such clause, the subscriber shall not be denied the retransmission of a signal of a network station under section 119(d)(10)(A) of title 17, United States Code.”;

(C) in paragraph (4)(B), by striking “the signal intensity” and all that follows through “United States Code” and inserting “such requisite signal intensity standard”; and

(D) in paragraph (4)(E), by striking “Grade B intensity”.

(e) SECTION 340.—Section 340(i) is amended by striking paragraph (4).

SEC. 925. APPLICATION PENDING COMPLETION OF RULEMAKINGS.

(a) In General.—During the period beginning on the date of the enactment of this Act and ending on the date on which the Federal Communications Commission
adopts rules pursuant to the amendments to the Communications Act of 1934 made by section 923 and section 924 of this title, the Federal Communications Commission shall follow its rules and regulations promulgated pursuant to sections 338, 339, and 340 of the Communications Act of 1934 as in effect on the day before the date of the enactment of this Act.

(b) Translator Stations and Low Power Television Stations.—Notwithstanding subsection (a), for purposes of determining whether a subscriber within the local market served by a translator station or a low power television station affiliated with a television network is eligible to receive distant signals under section 339 of the Communications Act of 1934, the rules and regulations of the Federal Communications Commission for determining such subscriber’s eligibility as in effect on the day before the date of the enactment of this Act shall apply until the date on which the translator station or low power television station is licensed to broadcast a digital signal.

(c) Definitions.—As used in this subtitle:

(1) Local market; low power television station; satellite carrier; subscriber; television broadcast station.—The terms “local market”, “low power television station”, “satellite carrier”, “subscriber”, and “television broadcast sta-
tion” have the meanings given such terms in section 338(k) of the Communications Act of 1934.

(2) NETWORK STATION; TELEVISION NETWORK.—The terms “network station” and “television network” have the meanings given such terms in section 339(d) of such Act.

SEC. 926. PROCESS FOR ISSUING QUALIFIED CARRIER CERTIFICATION.

Part I of title III is amended by adding at the end the following new section:

“SEC. 342. PROCESS FOR ISSUING QUALIFIED CARRIER CERTIFICATION.

“(a) CERTIFICATION.—The Commission shall issue a certification for the purposes of section 119(g)(3)(A)(iii) of title 17, United States Code, if the Commission determines that—

“(1) a satellite carrier is providing local service pursuant to the statutory license under section 122 of such title in each designated market area; and

“(2) with respect to each designated market area in which such satellite carrier was not providing such local service as of the date of enactment of the Satellite Television Extension and Localism Act of 2010—
“(A) the satellite carrier’s satellite beams are designed, and predicted by the satellite manufacturer’s pre-launch test data, to provide a good quality satellite signal to at least 90 percent of the households in each such designated market area based on the most recent census data released by the United States Census Bureau; and

“(B) there is no material evidence that there has been a satellite or sub-system failure subsequent to the satellite’s launch that precludes the ability of the satellite carrier to satisfy the requirements of subparagraph (A).

“(b) INFORMATION REQUIRED.—Any entity seeking the certification provided for in subsection (a) shall submit to the Commission the following information:

“(1) An affidavit stating that, to the best of the affiant’s knowledge, the satellite carrier provides local service in all designated market areas pursuant to the statutory license provided for in section 122 of title 17, United States Code, and listing those designated market areas in which local service was provided as of the date of enactment of the Satellite Television Extension and Localism Act of 2010.
“(2) For each designated market area not listed in paragraph (1):

“(A) Identification of each such designated market area and the location of its local receive facility.

“(B) Data showing the number of households, and maps showing the geographic distribution thereof, in each such designated market area based on the most recent census data released by the United States Census Bureau.

“(C) Maps, with superimposed effective isotropically radiated power predictions obtained in the satellite manufacturer’s pre-launch tests, showing that the contours of the carrier’s satellite beams as designed and the geographic area that the carrier’s satellite beams are designed to cover are predicted to provide a good quality satellite signal to at least 90 percent of the households in such designated market area based on the most recent census data released by the United States Census Bureau.

“(D) For any satellite relied upon for certification under this section, an affidavit stating that, to the best of the affiant’s knowledge, there have been no satellite or sub-system fail-
ures subsequent to the satellite’s launch that
would degrade the design performance to such
a degree that a satellite transponder used to
provide local service to any such designated
market area is precluded from delivering a good
quality satellite signal to at least 90 percent of
the households in such designated market area
based on the most recent census data released
by the United States Census Bureau.

“(E) Any additional engineering, design-
ated market area, or other information the
Commission considers necessary to determine
whether the Commission shall grant a certifi-
cation under this section.

“(c) CERTIFICATION ISSUANCE.—

“(1) PUBLIC COMMENT.—The Commission shall
provide 30 days for public comment on a request for
certification under this section.

“(2) DEADLINE FOR DECISION.—The Commis-
sion shall grant or deny a request for certification
within 90 days after the date on which such request
is filed.

“(d) SUBSEQUENT AFFIRMATION.—An entity grant-
ed qualified carrier status pursuant to section 119(g) of
title 17, United States Code, shall file an affidavit with
the Commission 30 months after such status was granted stating that, to the best of the affiant’s knowledge, it is in compliance with the requirements for a qualified carrier.

“(e) DEFINITIONS.—For the purposes of this section:

“(1) DESIGNATED MARKET AREA.—The term ‘designated market area’ has the meaning given such term in section 122(j)(2)(C) of title 17, United States Code.

“(2) GOOD QUALITY SATELLITE SIGNAL.—

“(A) IN GENERAL.—The term “good quality satellite signal” means—

“(i) a satellite signal whose power level as designed shall achieve reception and demodulation of the signal at an availability level of at least 99.7 percent using—

“(I) models of satellite antennas normally used by the satellite carrier’s subscribers; and

“(II) the same calculation methodology used by the satellite carrier to determine predicted signal availability in the top 100 designated market areas; and
“(ii) taking into account whether a signal is in standard definition format or high definition format, compression methodology, modulation, error correction, power level, and utilization of advances in technology that do not circumvent the intent of this section to provide for non-discriminatory treatment with respect to any comparable television broadcast station signal, a video signal transmitted by a satellite carrier such that—

“(I) the satellite carrier treats all television broadcast stations’ signals the same with respect to statistical multiplexer prioritization; and

“(II) the number of video signals in the relevant satellite transponder is not more than the then current greatest number of video signals carried on any equivalent transponder serving the top 100 designated market areas.

“(B) DETERMINATION.—For the purposes of subparagraph (A), the top 100 designated market areas shall be as determined by Nielsen Media Research and published in the Nielsen...
Station Index Directory and Nielsen Station Index United States Television Household Estimates or any successor publication as of the date of a satellite carrier’s application for certification under this section.”.

SEC. 927. NONDISCRIMINATION IN CARRIAGE OF HIGH DEFINITION DIGITAL SIGNALS OF NONCOMMERCIAL EDUCATIONAL TELEVISION STATIONS.

(a) In general.—Section 338(a) is amended by adding at the end the following new paragraph:

“(5) nondiscrimination in carriage of high definition signals of noncommercial educational television stations.—

“(A) Existing carriage of high definition signals.—If, before the date of enactment of the Satellite Television Extension and Localism Act of 2010, an eligible satellite carrier is providing, under section 122 of title 17, United States Code, any secondary transmissions in high definition format to subscribers located within the local market of a television broadcast station of a primary transmission made by that station, then such satellite carrier shall carry the signals in high-definition format of qualified noncommercial edu-
cational television stations located within that local market in accordance with the following schedule:

“(i) By December 31, 2010, in at least 50 percent of the markets in which such satellite carrier provides such secondary transmissions in high definition format.

“(ii) By December 31, 2011, in every market in which such satellite carrier provides such secondary transmissions in high definition format.

“(B) NEW INITIATION OF SERVICE.—If, on or after the date of enactment of the Satellite Television Extension and Localism Act of 2010, an eligible satellite carrier initiates the provision, under section 122 of title 17, United States Code, of any secondary transmissions in high definition format to subscribers located within the local market of a television broadcast station of a primary transmission made by that station, then such satellite carrier shall carry the signals in high-definition format of all qualified noncommercial educational television stations located within that local market.”.
(b) Definitions.—Section 338(k) is amended—

(1) by redesignating paragraphs (2) through (8) as paragraphs (3) through (9), respectively;

(2) by inserting after paragraph (1) the following new paragraph:

“(2) Eligible satellite carrier.—The term ‘eligible satellite carrier’ means any satellite carrier that is not a party to a carriage contract that—

“(A) governs carriage of at least 30 qualified noncommercial educational television stations; and

“(B) is in force and effect within 60 days after the date of enactment of the Satellite Television Extension and Localism Act of 2010.”;

(3) by redesignating paragraphs (6) through (9) (as previously redesignated) as paragraphs (7) through (10), respectively; and

(4) by inserting after paragraph (5) (as so redesignated) the following new paragraph:

“(6) Qualified noncommercial educational television station.—The term ‘qualified noncommercial educational television station’ means any full-power television broadcast station that—
“(A) under the rules and regulations of the Commission in effect on March 29, 1990, is licensed by the Commission as a noncommercial educational broadcast station and is owned and operated by a public agency, nonprofit foundation, nonprofit corporation, or nonprofit association; and

“(B) has as its licensee an entity that is eligible to receive a community service grant, or any successor grant thereto, from the Corporation for Public Broadcasting, or any successor organization thereto, on the basis of the formula set forth in section 396(k)(6)(B) of this title.”.

SEC. 928. SAVINGS CLAUSE REGARDING DEFINITIONS.

Nothing in this subtitle or the amendments made by this subtitle shall be construed to affect—

(1) the meaning of the terms “program related” and “primary video” under the Communications Act of 1934; or

(2) the meaning of the term “multicast” in any regulations issued by the Federal Communications Commission.

SEC. 929. STATE PUBLIC AFFAIRS BROADCASTS.

Section 335(b) is amended—
(1) by inserting “STATE PUBLIC AFFAIRS,” after “EDUCATIONAL,” in the heading;

(2) by striking paragraph (1) and inserting the following:

“(1) CHANNEL CAPACITY REQUIRED.—

“(A) IN GENERAL.—Except as provided in subparagraph (B), the Commission shall require, as a condition of any provision, initial authorization, or authorization renewal for a provider of direct broadcast satellite service providing video programming, that the provider of such service reserve a portion of its channel capacity, equal to not less than 4 percent nor more than 7 percent, exclusively for non-commercial programming of an educational or informational nature.

“(B) REQUIREMENT FOR QUALIFIED SATELLITE PROVIDER.—The Commission shall require, as a condition of any provision, initial authorization, or authorization renewal for a qualified satellite provider of direct broadcast satellite service providing video programming, that such provider reserve a portion of its channel capacity, equal to not less than 3.5 percent nor more than 7 percent, exclusively for non-
commercial programming of an educational or informational nature.”;

(3) in paragraph (5), by striking “For purposes of the subsection—” and inserting “For purposes of this subsection:”; and

(4) by adding at the end of paragraph (5) the following:

“(C) The term ‘qualified satellite provider’ means any provider of direct broadcast satellite service that—

“(i) provides the retransmission of the State public affairs networks of at least 15 different States;

“(ii) offers the programming of State public affairs networks upon reasonable prices, terms, and conditions as determined by the Commission under paragraph (4); and

“(iii) does not delete any noncommercial programming of an educational or informational nature in connection with the carriage of a State public affairs network.

“(D) The term ‘State public affairs network’ means a non-commercial non-broadcast
network or a noncommercial educational television station—

“(i) whose programming consists of information about State government deliberations and public policy events; and

“(ii) that is operated by—

“(I) a State government or subdivision thereof;

“(II) an organization described in section 501(c)(3) of the Internal Revenue Code of 1986 that is exempt from taxation under section 501(a) of such Code and that is governed by an independent board of directors; or

“(III) a cable system.”.

Subtitle C—Reports and Savings Provision

SEC. 931. DEFINITION.

In this subtitle, the term “appropriate Congressional committees” means the Committees on the Judiciary and on Commerce, Science, and Transportation of the Senate and the Committees on the Judiciary and on Energy and Commerce of the House of Representatives.
SEC. 932. REPORT ON MARKET BASED ALTERNATIVES TO STATUTORY LICENSING.

Not later than 1 year after the date of the enactment of this Act, and after consultation with the Federal Communications Commission, the Register of Copyrights shall submit to the appropriate Congressional committees a report containing—

(1) proposed mechanisms, methods, and recommendations on how to implement a phase-out of the statutory licensing requirements set forth in sections 111, 119, and 122 of title 17, United States Code, by making such sections inapplicable to the secondary transmission of a performance or display of a work embodied in a primary transmission of a broadcast station that is authorized to license the same secondary transmission directly with respect to all of the performances and displays embodied in such primary transmission;

(2) any recommendations for alternative means to implement a timely and effective phase-out of the statutory licensing requirements set forth in sections 111, 119, and 122 of title 17, United States Code; and

(3) any recommendations for legislative or administrative actions as may be appropriate to achieve such a phase-out.
SEC. 933. REPORT ON COMMUNICATIONS IMPLICATIONS OF STATUTORY LICENSING MODIFICATIONS.

(a) Study.—The Comptroller General shall conduct a study that analyzes and evaluates the changes to the carriage requirements currently imposed on multichannel video programming distributors under the Communications Act of 1934 (47 U.S.C. 151 et seq.) and the regulations promulgated by the Federal Communications Commission that would be required or beneficial to consumers, and such other matters as the Comptroller General deems appropriate, if Congress implemented a phase-out of the current statutory licensing requirements set forth under sections 111, 119, and 122 of title 17, United States Code. Among other things, the study shall consider the impact such a phase-out and related changes to carriage requirements would have on consumer prices and access to programming.

(b) Report.—Not later than 1 year after the date of the enactment of this Act, the Comptroller General shall report to the appropriate Congressional committees the results of the study, including any recommendations for legislative or administrative actions.

SEC. 934. REPORT ON IN-STATE BROADCAST PROGRAMMING.

Not later than 1 year after the date of the enactment of this Act, the Federal Communications Commission shall
submit to the appropriate Congressional committees a report containing an analysis of—

(1) the number of households in a State that receive the signals of local broadcast stations assigned to a community of license that is located in a different State;

(2) the extent to which consumers in each local market have access to in-state broadcast programming over the air or from a multichannel video programming distributor; and

(3) whether there are alternatives to the use of designated market areas, as defined in section 122 of title 17, United States Code, to define local markets that would provide more consumers with in-state broadcast programming.

SEC. 935. LOCAL NETWORK CHANNEL BROADCAST REPORTS.

(a) Requirement.—

(1) In general.—On the 180th day after the date of the enactment of this Act, and on each succeeding anniversary of such 180th day, each satellite carrier shall submit an annual report to the Federal Communications Commission setting forth—

(A) each local market in which it—
(i) retransmits signals of 1 or more television broadcast stations with a community of license in that market;

(ii) has commenced providing such signals in the preceding 1-year period; and

(iii) has ceased to provide such signals in the preceding 1-year period; and

(B) detailed information regarding the use and potential use of satellite capacity for the retransmission of local signals in each local market.

(2) TERMINATION.—The requirement under paragraph (1) shall cease after each satellite carrier has submitted 5 reports under such paragraph.

(b) FCC STUDY; REPORT.—

(1) STUDY.—If no satellite carrier files a request for a certification under section 342 of the Communications Act of 1934 (as added by section 926 of this title) within 180 days after the date of the enactment of this Act, the Federal Communications Commission shall initiate a study of—

(A) incentives that would induce a satellite carrier to provide the signals of 1 or more television broadcast stations licensed to provide sig-
nals in local markets in which the satellite carrier does not provide such signals; and

(B) the economic and satellite capacity conditions affecting delivery of local signals by satellite carriers to these markets.

(2) REPORT.—Within 1 year after the date of the initiation of the study under paragraph (1), the Federal Communications Commission shall submit a report to the appropriate Congressional committees containing its findings, conclusions, and recommendations.

(c) DEFINITIONS.—In this section—

(1) the terms "local market" and "satellite carrier" have the meaning given such terms in section 339(d) of the Communications Act of 1934 (47 U.S.C. 339(d)); and

(2) the term "television broadcast station" has the meaning given such term in section 325(b)(7) of such Act (47 U.S.C. 325(b)(7)).

SEC. 936. SAVINGS PROVISION REGARDING USE OF NEGOTIATED LICENSES.

(a) IN GENERAL.—Nothing in this title, title 17, United States Code, the Communications Act of 1934, regulations promulgated by the Register of Copyrights under this title or title 17, United States Code, or regula-
tions promulgated by the Federal Communications Com-
mission under this title or the Communications Act of
1934 shall be construed to prevent a multichannel video
programming distributor from retransmitting a perform-
ance or display of a work pursuant to an authorization
granted by the copyright owner or, if within the scope of
its authorization, its licensee.

(b) LIMITATION.—Nothing in subsection (a) shall be
construed to affect any obligation of a multichannel video
programming distributor under section 325(b) of the
Communications Act of 1934 to obtain the authority of
a television broadcast station before retransmitting that
station’s signal.

Subtitle D—Severability

SEC. 941. SEVERABILITY.

If any provision of this title, an amendment made by
this title, or the application of such provision or amend-
ment to any person or circumstance is held to be unconsti-
tutional, the remainder of this title, the amendments made
by this title, and the application of such provision or
amendment to any person or circumstance shall not be af-
feated thereby.
TITLE X—DETERMINATION OF BUDGETARY EFFECTS

SEC. 1001. DETERMINATION OF BUDGETARY EFFECTS.

(a) IN GENERAL.—The budgetary effects of this Act, for the purpose of complying with the Statutory Pay-As-You-Go Act of 2010, shall be determined by reference to the latest statement titled “Budgetary Effects of PAYGO Legislation” for this Act, submitted for printing in the Congressional Record by the Chairman of the Senate Budget Committee, provided that such statement has been submitted prior to the vote on passage.

(b) EMERGENCY DESIGNATION.—For all of the provisions in titles V and VI, one-half of the amounts of the budgetary effects are designated as an emergency requirement pursuant to section 4(g) of the Statutory Pay-As-You-Go Act of 2010, and designated as an emergency requirement pursuant to section 403(a) of S. Con. Res. 13 (111th Congress), the concurrent resolution on the budget for fiscal year 2010. Notwithstanding the other provisions of this subsection, section 612 is not designated as an emergency.