AN ACT

To amend the Internal Revenue Code of 1986 to provide tax benefits for the Gulf Opportunity Zone and certain areas affected by Hurricanes Rita and Wilma, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,
SECTION 1. SHORT TITLE; ETC.

(a) SHORT TITLE.—This Act may be cited as the “Gulf Opportunity Zone Act of 2005”.

(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 of this Act is as follows:

Sec. 1. Short title; etc.

TITLE I—ESTABLISHMENT OF GULF OPPORTUNITY ZONE

Sec. 101. Tax benefits for Gulf Opportunity Zone.
Sec. 102. Federal guarantee of certain State bonds.

TITLE II—TAX BENEFITS RELATED TO HURRICANES RITA AND WILMA

Sec. 201. Extension of certain emergency tax relief for Hurricane Katrina to Hurricanes Rita and Wilma.

TITLE III—OTHER PROVISIONS

Sec. 301. Secretarial authority to extend period during which traveling expenses are treated as incurred away from home in case of major disaster.
Sec. 302. Gulf Coast Recovery Bonds.

TITLE I—ESTABLISHMENT OF GULF OPPORTUNITY ZONE

SEC. 101. TAX BENEFITS FOR GULF OPPORTUNITY ZONE.

(a) IN GENERAL.—Subchapter Y of chapter 1 is amended by adding at the end the following new part:
“PART II—TAX BENEFITS FOR GULF OPPORTUNITY ZONE

“SEC. 1400M. DEFINITIONS.

“For purposes of this part—

“(1) GULF OPPORTUNITY ZONE.—The terms ‘Gulf Opportunity Zone’ and ‘GO Zone’ mean that portion of the Hurricane Katrina disaster area determined by the President to warrant individual or individual and public assistance from the Federal Government under the Robert T. Stafford Disaster Relief and Emergency Assistance Act by reason of Hurricane Katrina.

“(2) HURRICANE KATRINA DISASTER AREA.—The term ‘Hurricane Katrina disaster area’ means an area with respect to which a major disaster has been declared by the President before September 14, 2005, under section 401 of such Act by reason of Hurricane Katrina.

“(3) RITA GO ZONE.—The term ‘Rita GO Zone’ means that portion of the Hurricane Rita disaster area determined by the President to warrant individual or individual and public assistance from the Federal Government under such Act by reason of Hurricane Rita.
“(4) Hurricane Rita disaster area.—The term ‘Hurricane Rita disaster area’ means an area with respect to which a major disaster has been declared by the President, before October 6, 2005, under section 401 of such Act by reason of Hurricane Rita.

“(5) Wilma GO Zone.—The term ‘Wilma GO Zone’ means that portion of the Hurricane Wilma disaster area determined by the President to warrant individual or individual and public assistance from the Federal Government under such Act by reason of Hurricane Wilma.

“(6) Hurricane Wilma disaster area.—The term ‘Hurricane Wilma disaster area’ means an area with respect to which a major disaster has been declared by the President, before November 14, 2005, under section 401 of such Act by reason of Hurricane Wilma.

“SEC. 1400N. TAX BENEFITS FOR GULF OPPORTUNITY ZONE.

“(a) Tax-Exempt Bond Financing.—

“(1) In general.—For purposes of this title—

“(A) any qualified Gulf Opportunity Zone Bond described in paragraph (2)(A)(i) shall be treated as an exempt facility bond, and
“(B) any qualified Gulf Opportunity Zone Bond described in paragraph (2)(A)(ii) shall be treated as a qualified mortgage bond.

“(2) QUALIFIED GULF OPPORTUNITY ZONE BOND.—For purposes of this subsection, the term ‘qualified Gulf Opportunity Zone Bond’ means any bond issued as part of an issue if—

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

“(ii) such issue meets the requirements of a qualified mortgage issue, except as otherwise provided in this subsection,

“(B) such bond is issued by the State of Alabama, Louisiana, or Mississippi, or any political subdivision thereof,

“(C) such bond is designated for purposes of this section by—

“(i) in the case of a bond which is required under State law to be approved by the bond commission of such State, such bond commission, and

“(ii) in the case of any other bond, the Governor of such State, and
“(D) such bond is issued after the date of the enactment of this section and before January 1, 2011.

“(3) LIMITATIONS ON BONDS.—

“(A) AGGREGATE AMOUNT DESIGNATED.—

The maximum aggregate face amount of bonds which may be designated under this subsection with respect to any State shall not exceed the product of $2,500 multiplied by the portion of the State population which is in the Gulf Opportunity Zone (as determined on the basis of the most recent census estimate of resident population released by the Bureau of Census before August 28, 2005).

“(B) MOVABLE PROPERTY.—No bonds shall be issued which are to be used for movable fixtures and equipment.

“(4) QUALIFIED PROJECT COSTS.—For purposes of this subsection, the term ‘qualified project costs’ means the cost of acquisition, construction, reconstruction, and renovation of—

“(A) nonresidential real property and qualified residential rental property (as defined in section 142(d)) located in the Gulf Opportunity Zone, and
“(B) public utility property (as defined in section 168(i)(10)) located in the Gulf Opportunity Zone.

“(5) SPECIAL RULES.—In applying this title to any qualified Gulf Opportunity Zone Bond, the following modifications shall apply:

“(A) Section 142(d)(1) (defining qualified residential rental project) shall be applied—

“(i) by substituting ‘60 percent’ for ‘50 percent’ in subparagraph (A) thereof, and

“(ii) by substituting ‘70 percent’ for ‘60 percent’ in subparagraph (B) thereof.

“(B) Section 143 (relating to mortgage revenue bonds: qualified mortgage bond and qualified veterans’ mortgage bond) shall be applied—

“(i) by treating only residences in the Gulf Opportunity Zone as owner-occupied residences,

“(ii) by treating any residence in the Gulf Opportunity Zone as a targeted area residence, and

“(iii) by substituting ‘$150,000’ for ‘$15,000’ in subsection (k)(4) thereof.
“(C) Except as provided in section 143, repayments of principal on financing provided by the issue of which such bond is a part may not be used to provide financing.

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

“(E) Section 147(d)(2) (relating to acquisition of existing property not permitted) shall be applied by substituting ‘50 percent’ for ‘15 percent’ each place it appears.

“(F) Section 148(f)(4)(C) (relating to exception from rebate for certain proceeds to be used to finance construction expenditures) shall apply to the available construction proceeds of bonds which are part of an issue described in paragraph (2)(A)(i).

“(G) Section 57(a)(5) (relating to tax-exempt interest) shall not apply.

“(6) SEPARATE ISSUE TREATMENT OF PORTIONS OF AN ISSUE.—This subsection shall not apply to the portion of an issue which (if issued as a separate issue) would be treated as a qualified bond or as a bond that is not a private activity bond (determined without regard to paragraph (1)), if the issuer elects to so treat such portion.
“(b) Advance Refundings of Certain Tax-Exempt Bonds.—

“(1) In general.—With respect to a bond described in paragraph (3) which is not a qualified 501(c)(3) bond, one additional advance refunding after the date of the enactment of this section and before January 1, 2011, shall be allowed under the applicable rules of section 149(d) if—

“(A) the Governor of the State designates the advance refunding bond for purposes of this subsection, and

“(B) the requirements of paragraph (5) are met.

“(2) Certain private activity bonds.—With respect to a bond described in paragraph (3) which is an exempt facility bond described in paragraph (1) or (2) of section 142(a), one advance refunding after the date of the enactment of this section and before January 1, 2011, shall be allowed under the applicable rules of section 149(d) (notwithstanding paragraph (2) thereof) if the requirements of subparagraphs (A) and (B) of paragraph (1) are met.

“(3) Bonds described.—A bond is described in this paragraph if such bond was outstanding on
August 28, 2005, and is issued by the State of Alabama, Louisiana, or Mississippi, or a political subdivision thereof.

“(4) AGGREGATE LIMIT.—The maximum aggregate face amount of bonds which may be designated under this subsection by the Governor of a State shall not exceed—

“(A) $4,500,000,000 in the case of the State of Louisiana,

“(B) $2,250,000,000 in the case of the State of Mississippi, and

“(C) $1,125,000,000 in the case of the State of Alabama.

“(5) ADDITIONAL REQUIREMENTS.—The requirements of this paragraph are met with respect to any advance refunding of a bond described in paragraph (3) if—

“(A) no advance refundings of such bond would be allowed under this title on or after August 28, 2005,

“(B) the advance refunding bond is the only other outstanding bond with respect to the refunded bond, and
“(C) the requirements of section 148 are met with respect to all bonds issued under this subsection.

“(e) Low-Income Housing Credit.—

“(1) Additional housing credit dollar amount.—

“(A) In general.—For purposes of section 42, in the case of calendar years 2006, 2007, and 2008, the State housing credit ceiling of each State, any portion of which is located in the Gulf Opportunity Zone, shall be increased by the lesser of—

“(i) the aggregate housing credit dollar amount allocated by the State housing credit agency of such State to buildings located in the Gulf Opportunity Zone for such calendar year, or

“(ii) the Gulf Opportunity housing amount for such State for such calendar year.

“(B) Gulf Opportunity housing amount.—For purposes of subparagraph (A), the term ‘Gulf Opportunity housing amount’ means, for any calendar year, the amount equal to the product of $18.00 multiplied by the por-
tion of the State population which is in the Gulf
Opportunity Zone (as determined on the basis
of the most recent census estimate of resident
population released by the Bureau of Census
before August 28, 2005).

“(C) ALLOCATIONS TREATED AS MADE
FIRST FROM ADDITIONAL ALLOCATION AMOUNT
FOR PURPOSES OF DETERMINING CARRY-
OVER.—For purposes of determining the un-
used State housing credit ceiling under section
42(h)(3)(C) for any calendar year, any increase
in the State housing credit ceiling under sub-
paragraph (A) shall be treated as an amount
described in clause (ii) of such section.

“(2) DIFFICULT DEVELOPMENT AREA.—

“(A) IN GENERAL.—For purposes of sec-
tion 42, in the case of property placed in service
during 2006, 2007, or 2008, the Gulf Oppor-
tunity Zone—

“(i) shall be treated as a difficult de-
velopment area designated under subclause
(I) of section 42(d)(5)(C)(iii), and

“(ii) shall not be taken into account
for purposes of applying the limitation
under subclause (II) of such section.
“(B) APPLICATION.—Subparagraph (A) shall apply only to—

“(i) housing credit dollar amounts allocated during the period beginning on January 1, 2006, and ending on December 31, 2008, and

“(ii) buildings placed in service during such period to the extent that paragraph (1) of section 42(h) does not apply to any building by reason of paragraph (4) thereof, but only with respect to bonds issued after December 31, 2005.

“(3) SPECIAL RULE FOR APPLYING INCOME TESTS.—In the case of property placed in service—

“(A) during 2006, 2007, or 2008,

“(B) in the Gulf Opportunity Zone, and

“(C) in a nonmetropolitan area (as defined in section 42(d)(5)(C)(iv)(IV)),

section 42 shall be applied by substituting ‘national nonmetropolitan median gross income (determined under rules similar to the rules of section 142(d)(2)(B))’ for ‘area median gross income’ in subparagraphs (A) and (B) of section 42(g)(1).
“(4) Definitions.—Any term used in this subsection which is also used in section 42 shall have the same meaning as when used in such section.

“(d) Special Allowance for Certain Property Acquired on or After August 28, 2005.—

“(1) Additional allowance.—In the case of any qualified Gulf Opportunity Zone property—

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

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

“(2) Qualified Gulf Opportunity Zone property.—For purposes of this subsection—

“(A) in general.—The term ‘qualified Gulf Opportunity Zone property’ means prop-

"
“(i)(I) which is described in section 168(k)(2)(A)(i), or

“(II) which is nonresidential real property or residential rental property,

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

“(iii) the original use of which in the Gulf Opportunity Zone commences with the taxpayer on or after August 28, 2005,

“(iv) which is acquired by the taxpayer by purchase (as defined in section 179(d)) on or after August 28, 2005, but only if no written binding contract for the acquisition was in effect before August 28, 2005, and

“(v) which is placed in service by the taxpayer on or before December 31, 2007 (December 31, 2008, in the case of nonresidential real property and residential rental property).

“(B) EXCEPTIONS.—

“(i) ALTERNATIVE DEPRECIATION PROPERTY.—Such term shall not include
any property described in section 168(k)(2)(D)(i).

“(ii) **TAX‑EXEMPT BOND‑FINANCED PROPERTY.**—Such term shall not include any property any portion of which is financed with the proceeds of any obligation the interest on which is exempt from tax under section 103.

“(iii) **QUALIFIED REVITALIZATION BUILDINGS.**—Such term shall not include any qualified revitalization building with respect to which the taxpayer has elected the application of paragraph (1) or (2) of section 1400I(a).

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

“(3) **SPECIAL RULES.**—For purposes of this subsection, rules similar to the rules of subparagraph (E) of section 168(k)(2) shall apply, except that such subparagraph shall be applied—
“(A) by substituting ‘August 27, 2005’ for ‘September 10, 2001’ each place it appears therein,

“(B) by substituting ‘January 1, 2008’ for ‘January 1, 2005’ in clause (i) thereof, and

“(C) by substituting ‘qualified Gulf Opportunity Zone property’ for ‘qualified property’ in clause (iv) thereof.

“(4) ALLOWANCE AGAINST ALTERNATIVE MINIMUM TAX.—For purposes of this subsection, rules similar to the rules of section 168(k)(2)(G) shall apply.

“(5) RECAPTURE.—For purposes of this subsection, rules similar to the rules under section 179(d)(10) shall apply with respect to any qualified Gulf Opportunity Zone property which ceases to be qualified Gulf Opportunity Zone property.

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

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

“(A) the dollar amount in effect under section 179(b)(1) for the taxable year shall be increased by the lesser of—

“(i) $100,000, or
“(ii) the cost of qualified section 179
Gulf Opportunity Zone property placed in
service during the taxable year, and
“(B) the dollar amount in effect under sec-
tion 179(b)(2) for the taxable year shall be in-
creased by the lesser of—
“(i) $600,000, or
“(ii) the cost of qualified section 179
Gulf Opportunity Zone property placed in
service during the taxable year.
“(2) QUALIFIED SECTION 179 GULF OPPOR-
TUNITY ZONE PROPERTY.—For purposes of this sub-
section, the term ‘qualified section 179 Gulf Oppor-
tunity Zone property’ means section 179 property
(as defined in section 179(d)) which is qualified Gulf
Opportunity Zone property (as defined in subsection
(d)(2)).
“(3) COORDINATION WITH EMPOWERMENT
ZONES AND RENEWAL COMMUNITIES.—For purposes
of sections 1397A and 1400J, qualified section 179
Gulf Opportunity Zone property shall not be treated
as qualified zone property or qualified renewal prop-
erty, unless the taxpayer elects not to take such
qualified section 179 Gulf Opportunity Zone prop-
erty into account for purposes of this subsection.
“(4) Recapture.—For purposes of this subsection, rules similar to the rules under section 179(d)(10) shall apply with respect to any qualified section 179 Gulf Opportunity Zone property which ceases to be qualified section 179 Gulf Opportunity Zone property.

“(f) Expensing for Certain Demolition and Clean-Up Costs.—

“(1) In general.—A taxpayer may elect to treat 50 percent of any qualified Gulf Opportunity Zone clean-up cost as an expense which is not chargeable to capital account. Any cost so treated shall be allowed as a deduction for the taxable year in which such cost is paid or incurred.

“(2) Qualified Gulf Opportunity Zone Clean-Up Cost.—For purposes of this subsection, the term ‘qualified Gulf Opportunity Zone clean-up cost’ means any amount paid or incurred during the period beginning on August 28, 2005, and ending on December 31, 2007, for the removal of debris from, or the demolition of structures on, real property which is located in the Gulf Opportunity Zone and which is—
“(A) held by the taxpayer for use in a trade or business or for the production of income, or

“(B) property described in section 1221(a)(1) in the hands of the taxpayer.

For purposes of the preceding sentence, amounts paid or incurred shall be taken into account only to the extent that such amount would (but for paragraph (1)) be chargeable to capital account.

“(g) Extension of Expensing for Environmental Remediation Costs.—With respect to any qualified environmental remediation expenditure (as defined in section 198(b)) paid or incurred on or after August 28, 2005, in connection with a qualified contaminated site located in the Gulf Opportunity Zone, section 198 (relating to expensing of environmental remediation costs) shall be applied—

“(1) in the case of expenditures paid or incurred on or after August 28, 2005, and before January 1, 2008, by substituting ‘December 31, 2007’ for the date contained in section 198(h), and

“(2) except as provided in section 198(d)(2), by treating petroleum products (as defined in section 4612(a)(3)) as a hazardous substance.
“(h) INCREASE IN REHABILITATION CREDIT.—In the case of qualified rehabilitation expenditures (as defined in section 47(c)) paid or incurred during the period beginning on August 28, 2005, and ending on December 31, 2008, with respect to any qualified rehabilitated building or certified historic structure (as defined in section 47(c)) located in the Gulf Opportunity Zone, subsection (a) of section 47 (relating to rehabilitation credit) shall be applied—

“(1) by substituting ‘13 percent’ for ‘10 percent’ in paragraph (1) thereof, and

“(2) by substituting ‘26 percent’ for ‘20 percent’ in paragraph (2) thereof.

“(i) SPECIAL RULES FOR SMALL TIMBER PRODUCERS.—

“(1) INCREASED EXPENSING FOR QUALIFIED TIMBER PROPERTY.—In the case of qualified timber property any portion of which is located in the Gulf Opportunity Zone or in that portion of the Rita GO Zone which is not part of the Gulf Opportunity Zone, the limitation under subparagraph (B) of section 194(b)(1) shall be increased by the lesser of—

“(A) the limitation which would (but for this subsection) apply under such subparagraph, or
“(B) the amount of reforestation expenditures (as defined in section 194(c)(3)) paid or incurred by the taxpayer with respect to such qualified timber property during the specified portion of the taxable year.

“(2) 5 YEAR NOL CARRYBACK OF CERTAIN TIMBER LOSSES.—For purposes of determining farming loss under section 172(i), income and deductions which are allocable to the specified portion of the taxable year and which are attributable to qualified timber property any portion of which is located in the Gulf Opportunity Zone or in that portion of the Rita GO Zone which is not part of the Gulf Opportunity Zone shall be treated as attributable to farming businesses.

“(3) RULES NOT APPLICABLE TO LARGE TIMBER PRODUCERS.—

“(A) EXPENSING.—Paragraph (1) shall not apply to any taxpayer if such taxpayer holds more than 500 acres of qualified timber property at any time during the taxable year.

“(B) NOL CARRYBACK.—Paragraph (2) shall not apply with respect to any qualified timber property unless—
“(i) such property was held by the taxpayer—

“(I) on August 28, 2005, in the case of qualified timber property any portion of which is located in the Gulf Opportunity Zone, or

“(II) on September 23, 2005, in the case of qualified timber property (other than property described in subclause (I)) any portion of which is located in that portion of the Rita GO Zone which is not part of the Gulf Opportunity Zone, and

“(ii) such taxpayer held not more than 500 acres of qualified timber property on such date.

“(C) AGGREGATION RULE.—For purposes of subparagraphs (A) and (B), related persons shall be treated as one taxpayer. For purposes of the preceding sentence, the following shall be treated as related persons—

“(i) 2 or more persons if the relationship between such persons would result in a disallowance of losses under section 267 or 707(b), and
“(ii) 2 or more persons which are
members of the same controlled group
(within the meaning of section
194(b)(2)(A)) of corporations.
For purposes of clause (i), section 267 shall be
applied without regard to subsection (b)(1)
thereof.
“(4) DEFINITIONS.—For purposes of this sub-
section—
“(A) SPECIFIED PORTION.—The term
‘specified portion’ means—
“(i) in the case of qualified timber
property any portion of which is located in
the Gulf Opportunity Zone, that portion of
the taxable year which is on or after Au-
gust 28, 2005, and before January 1,
2007, and
“(ii) in the case of qualified timber
property (other than property described in
clause (i)) any portion of which is located
in the Rita GO Zone, that portion of the
taxable year which is on or after Sep-
tember 23, 2005, and before January 1,
2007.
“(B) Qualified timber property.—The term ‘qualified timber property’ has the meaning given such term in section 194(c)(1).

“(j) Special rule for Gulf Opportunity Zone public utility casualty losses.—

“(1) In general.—The amount described in section 172(f)(1)(A) for any taxable year shall be increased by the Gulf Opportunity Zone public utility casualty loss for such taxable year.

“(2) Gulf Opportunity Zone public utility casualty loss.—For purposes of this subsection, the term ‘Gulf Opportunity Zone public utility casualty loss’ means any casualty loss of public utility property (as defined in section 168(i)(10)) located in the Gulf Opportunity Zone if—

“(A) such loss is allowed as a deduction under section 165 for the taxable year,

“(B) such loss is by reason of Hurricane Katrina, and

“(C) the taxpayer elects the application of this subsection with respect to such loss.

“(3) Reduction for gains from involuntary conversion.—The amount of Gulf Opportunity Zone public utility casualty loss which would (but for this paragraph) be taken into account under
paragraph (1) for any taxable year shall be reduced by the amount of any gain recognized by the taxpayer for such year from the involuntary conversion by reason of Hurricane Katrina of public utility property (as so defined) located in the Gulf Opportunity Zone.

“(4) Coordination with General Disaster Loss Rules.—Section 165(i) shall not apply to any Gulf Opportunity Zone public utility casualty loss to the extent such loss is taken into account under paragraph (1).

“(5) Election.—Any election under paragraph (2)(C) shall be made in such manner as may be prescribed by the Secretary and shall be made by the due date (including extensions of time) for filing the taxpayer's return for the taxable year of the loss. Such election, once made for any taxable year, shall be irrevocable for such taxable year.

“(k) Special NOL Carryback of Cost Recovery Deductions for Qualified GO Zone Property.—

“(1) In General.—For purposes of section 172, the GO Zone cost recovery loss for any taxable year ending on or after August 28, 2005, and before January 1, 2009, shall be a net operating loss
carryback to each of the 5 taxable years preceding
the taxable year of the loss.

“(2) GO ZONE COST RECOVERY LOSS.—For
purposes of this subsection, the term ‘GO Zone cost
recovery loss’ means, with respect to any taxable
year, the lesser of—

“(A) the aggregate amount of the deduc-
tions allowed under sections 167 and 168 with
respect to qualified Gulf Opportunity Zone
property (as defined in subsection (d)(2), but
without regard to subparagraph (B)(iv) thereof)
which is placed in service during such taxable
year, or

“(B) the excess of—

“(i) the net operating loss for such
taxable year, over

“(ii) the specified liability loss for
such taxable year to which a 10-year
carryback applies under section

172(b)(1)(C).

“(3) COORDINATION WITH ORDERING RULE.—
For purposes of applying section 172(b)(2), a GO
Zone cost recovery loss to which paragraph (1) ap-
plies shall be treated in a manner similar to the
manner in which a specified liability loss is treated.
“(4) Election out.—A rule similar to the rule of section 172(j) shall apply for purposes of this subsection.

“(l) Credit to Holders of Gulf Tax Credit Bonds.—

“(1) Allowance of credit.—If a taxpayer holds a Gulf tax credit bond on one or more credit allowance dates of the bond occurring during any taxable year, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to the sum of the credits determined under paragraph (2) with respect to such dates.

“(2) Amount of credit.—

“(A) In general.—The amount of the credit determined under this paragraph with respect to any credit allowance date for a Gulf tax credit bond is 25 percent of the annual credit determined with respect to such bond.

“(B) Annual credit.—The annual credit determined with respect to any Gulf tax credit bond is the product of—

“(i) the credit rate determined by the Secretary under subparagraph (C) for the
day on which such bond was sold, multiplied by

“(ii) the outstanding face amount of the bond.

“(C) DETERMINATION.—For purposes of subparagraph (B), with respect to any Gulf tax credit bond, the Secretary shall determine daily or cause to be determined daily a credit rate which shall apply to the first day on which there is a binding, written contract for the sale or exchange of the bond. The credit rate for any day is the credit rate which the Secretary or the Secretary’s designee estimates will permit the issuance of Gulf tax credit bonds with a specified maturity or redemption date without discount and without interest cost to the issuer.

“(D) CREDIT ALLOWANCE DATE.—For purposes of this subsection, the term ‘credit allowance date’ means March 15, June 15, September 15, and December 15. Such term also includes the last day on which the bond is outstanding.

“(E) SPECIAL RULE FOR ISSUANCE AND REDEMPTION.—In the case of a bond which is issued during the 3-month period ending on a
credit allowance date, the amount of the credit
determined under this paragraph with respect
to such credit allowance date shall be a ratable
portion of the credit otherwise determined
based on the portion of the 3-month period dur-
ing which the bond is outstanding. A similar
rule shall apply when the bond is redeemed or
matures.

“(3) LIMITATION BASED ON AMOUNT OF
TAX.—The credit allowed under paragraph (1) for
any taxable year shall not exceed the excess of—

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

“(B) the sum of the credits allowable
under part IV of subchapter A (other than sub-
part C and this subsection).

“(4) GULF TAX CREDIT BOND.—For purposes
of this subsection—

“(A) IN GENERAL.—The term ‘Gulf tax
credit bond’ means any bond issued as part of
an issue if—

“(i) the bond is issued by the State of
Alabama, Louisiana, or Mississippi,
“(ii) 95 percent or more of the proceeds of such issue are to be used to—

“(I) pay principal, interest, or premiums on qualified bonds issued by such State or any political subdivision of such State, or

“(II) make a loan to any political subdivision of such State to pay principal, interest, or premiums on qualified bonds issued by such political subdivision,

“(iii) the Governor of such State designates such bond for purposes of this subsection,

“(iv) the bond is a general obligation of such State and is in registered form (within the meaning of section 149(a)),

“(v) the maturity of such bond does not exceed 2 years, and

“(vi) the bond is issued after December 31, 2005, and before January 1, 2007.

“(B) STATE MATCHING REQUIREMENT.—A bond shall not be treated as a Gulf tax credit bond unless—
“(i) the issuer of such bond pledges as of the date of the issuance of the issue an amount equal to the face amount of such bond to be used for payments described in subclause (I) of subparagraph (A)(ii), or loans described in subclause (II) of such subparagraph, as the case may be, with respect to the issue of which such bond is a part, and

“(ii) any such payment or loan is made in equal amounts from the proceeds of such issue and from the amount pledged under clause (i).

The requirement of clause (ii) shall be treated as met with respect to any such payment or loan made during the 1-year period beginning on the date of the issuance (or any successor 1-year period) if such requirement is met when applied with respect to the aggregate amount of such payments and loans made during such period.

“(C) AGGREGATE LIMIT ON BOND DESIGNATIONS.—The maximum aggregate face amount of bonds which may be designated
under this subsection by the Governor of a State shall not exceed—

“(i) $200,000,000 in the case of the State of Louisiana,

“(ii) $100,000,000 in the case of the State of Mississippi, and

“(iii) $50,000,000 in the case of the State of Alabama.

“(D) Special rules relating to arbitrage.—A bond which is part of an issue shall not be treated as a Gulf tax credit bond unless, with respect to the issue of which the bond is a part, the issuer satisfies the arbitrage requirements of section 148 with respect to proceeds of the issue and any loans made with such proceeds.

“(5) Qualified bond.—For purposes of this subsection—

“(A) In general.—The term ‘qualified bond’ means any obligation of a State or political subdivision thereof which was outstanding on August 28, 2005.

“(B) Exception for private activity bonds.—Such term shall not include any private activity bond.
“(C) Exception for advance refundings.—Such term shall not include any bond with respect to which there is any outstanding refunded or refunding bond during the period in which a Gulf tax credit bond is outstanding with respect to such bond.

“(6) Credit included in gross income.—Gross income includes the amount of the credit allowed to the taxpayer under this subsection (determined without regard to paragraph (3)) and the amount so included shall be treated as interest income.

“(7) Other definitions and special rules.—For purposes of this subsection—

“(A) Bond.—The term ‘bond’ includes any obligation.

“(B) Partnership; S corporation; and other pass-thru entities.—

“(i) In general.—Under regulations prescribed by the Secretary, in the case of a partnership, trust, S corporation, or other pass-thru entity, rules similar to the rules of section 41(g) shall apply with respect to the credit allowable under paragraph (1).
“(ii) NO BASIS ADJUSTMENT.—In the case of a bond held by a partnership or an S corporation, rules similar to the rules under section 1397E(i) shall apply.

“(C) BONDS HELD BY REGULATED INVESTMENT COMPANIES.—If any Gulf tax credit bond is held by a regulated investment company, the credit determined under paragraph (1) shall be allowed to shareholders of such company under procedures prescribed by the Secretary.

“(D) REPORTING.—Issuers of Gulf tax credit bonds shall submit reports similar to the reports required under section 149(e).

“(E) CREDIT TREATED AS NONREFUNDABLE BONDHOLDER CREDIT.—For purposes of this title, the credit allowed by this subsection shall be treated as a credit allowable under subpart H of part IV of subchapter A of this chapter.

“(m) TAX BENEFITS NOT AVAILABLE WITH RESPECT TO FACILITIES FOR GAMBLING, ETC.—

“(1) TAX-EXEMPT BOND FINANCING.—Subsection (a) shall not apply to any bond issued as part of an issue if any portion of the proceeds of
such issue is to be used to provide any property de-
scribed in section 144(c)(6)(B).

“(2) ADVANCE REFUNDING BONDS.—Sub-
section (b) shall not apply to any advance refunding
of a bond which is issued as part of an issue if any
portion of the proceeds of such issue (or any prior
issue) was (or is to be) used to provide any property
described in section 144(c)(6)(B).

“(3) LOW-INCOME HOUSING CREDIT.—For pur-
poses of subsection (c), property shall not be treated
as located or placed in service in the Gulf Oppor-
tunity Zone if such property is described in section
144(c)(6)(B).

“(4) SPECIAL ALLOWANCE FOR CERTAIN PROP-
ERTY; SECTION 179 EXPENSING; CARRYBACK OF
COST RECOVERY DEDUCTIONS.—For purposes of
subsections (d), (e), and (k), the term ‘qualified Gulf
Opportunity Zone property’ shall not include any
property described in section 144(c)(6)(B).

“(5) DEMOLITION AND CLEAN-UP COSTS; RE-
MEDIATION; REHABILITATION EXPENSES.—Sub-
sections (f), (g), and (h) shall not apply with respect
to any amount paid or incurred with respect to any
property described in section 144(c)(6)(B).
“(6) Timber Producers.—For purposes of subsection (i), qualified timber property shall not include any property described in section 144(e)(6)(B).

“(7) Public Utility Casualty Losses.—For purposes of subsection (j), public utility property shall not include any property described in section 144(e)(6)(B).

“(8) Gulf Tax Credit Bonds.—Subsection (l) shall not apply to any bond issued as part of an issue if any portion of the proceeds of such issue is to be used to provide any property described in section 144(e)(6)(B).”.

(b) Conforming Amendments.—

(1) Paragraph (2) of section 54(c) is amended by inserting “, section 1400N(l),” after “subpart C”.

(2) Subparagraph (A) of section 6049(d)(8) is amended—

(A) by inserting “or 1400N(l)(6)” after “section 54(g)”, and

(B) by inserting “or 1400N(l)(2)(D), as the case may be” after “section 54(b)(4)”.
(3) So much of subchapter Y of chapter 1 as precedes section 1400L is amended to read as follows:

“Subchapter Y—Short-term Regional Benefits

“PART I—Tax benefits for New York Liberty Zone

“PART II—Tax benefits for Gulf Opportunity Zone

5 “PART I—Tax benefits for New York Liberty Zone

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

(4) The item relating to subchapter Y in the table of subchapters for chapter 1 is amended to read as follows:

“SUBCHAPTER Y—SHORT-TERM REGIONAL BENEFITS”.

(e) Effective Date.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to taxable years ending on or after August 28, 2005.

(2) CARRYBACKS.—Subsections (i)(2), (j), and (k) of section 1400N of the Internal Revenue Code of 1986 (as added by this section) shall apply to losses arising in such taxable years.

SEC. 102. FEDERAL GUARANTEE OF CERTAIN STATE BONDS.

(a) State Bonds Described.—
(1) IN GENERAL.—This section shall apply to a bond issued as part of an issue if—

(A) the issue of which such bond is part is an issue of the State of Alabama, Louisiana, or Mississippi,

(B) the bond is a general obligation of the issuing State and is in registered form,

(C) the proceeds of the bond are distributed to one or more political subdivisions of the issuing State,

(D) the maturity of such bond does not exceed 5 years,

(E) the bond is issued after the date of the enactment of this Act and before January 1, 2008, and

(F) the bond is designated by the Secretary of the Treasury for purposes of this section.

(2) FACILITIES FOR GAMBLING, ETC.—The Secretary of the Treasury may not designate any bond for purposes of this section if such bond is issued as part of an issue any portion of the proceeds of which is to be used to provide any property described in section 144(c)(6)(B).

(b) APPLICATION.—
(1) IN GENERAL.—The Secretary of the Treasury may only designate a bond for purposes of this section pursuant to an application submitted to the Secretary by the State which demonstrates the need for such designation on the basis of the criteria specified in paragraph (2).

(2) CRITERIA.—For purposes of paragraph (1), the criteria specified in this paragraph are—

(A) the loss of revenue base of one or more political subdivisions of the State by reason of Hurricane Katrina,

(B) the need for resources to fund infrastructure within, or operating expenses of, any such political subdivision,

(C) the lack of access of such political subdivision to capital, and

(D) any other criteria as may be determined by the Secretary.

(3) GUIDANCE FOR SUBMISSION AND CONSIDERATION OF APPLICATIONS.—The Secretary of the Treasury shall prescribe regulations or other guidance which provide for the time and manner for the submission and consideration of applications under this subsection.
(c) Federal Guarantee.—A bond described in subsection (a) is guaranteed by the United States in an amount equal to 50 percent of the outstanding principal with respect to such bond.

(d) Aggregate Limit on Bond Designations.—The maximum aggregate face amount of bonds which may be issued under this section shall not exceed $3,000,000,000.

# TITLE II—TAX BENEFITS RELATED TO HURRICANES RITA AND WILMA

SEC. 201. EXTENSION OF CERTAIN EMERGENCY TAX RELIEF FOR HURRICANE KATRINA TO HURRICANES RITA AND WILMA.

(a) In General.—Part II of subchapter Y of chapter 1 (as added by this Act) is amended by adding at the end the following new sections:

```
SEC. 1400O. SPECIAL RULES FOR USE OF RETIREMENT FUNDS.

“(a) Tax-Favored Withdrawals From Retirement Plans.—

“(1) In general.—Section 72(t) shall not apply to any qualified hurricane distribution.

“(2) Aggregate Dollar Limitation.—
```
“(A) IN GENERAL.—For purposes of this subsection, the aggregate amount of distributions received by an individual which may be treated as qualified hurricane distributions for any taxable year shall not exceed the excess (if any) of—

“(i) $100,000, over

“(ii) the aggregate amounts treated as qualified hurricane distributions received by such individual for all prior taxable years.

“(B) TREATMENT OF PLAN DISTRIBUTIONS.—If a distribution to an individual would (without regard to subparagraph (A)) be a qualified hurricane distribution, a plan shall not be treated as violating any requirement of this title merely because the plan treats such distribution as a qualified hurricane distribution, unless the aggregate amount of such distributions from all plans maintained by the employer (and any member of any controlled group which includes the employer) to such individual exceeds $100,000.

“(C) CONTROLLED GROUP.—For purposes of subparagraph (B), the term ‘controlled
group' means any group treated as a single em-
ployer under subsection (b), (c), (m), or (o) of
section 414.

“(3) AMOUNT DISTRIBUTED MAY BE REPAID.—

“(A) IN général.—Any individual who
receives a qualified hurricane distribution may,
at any time during the 3-year period beginning
on the day after the date on which such dis-
tribution was received, make one or more con-
tributions in an aggregate amount not to exceed
the amount of such distribution to an eligible
retirement plan of which such individual is a
beneficiary and to which a rollover contribution
of such distribution could be made under sec-
tion 402(c), 403(a)(4), 403(b)(8), 408(d)(3), or
457(e)(16), as the case may be.

“(B) TREATMENT OF REPAYMENTS OF
distributions from eligible retirement
plans other than IRAs.—For purposes of
this title, if a contribution is made pursuant to
subparagraph (A) with respect to a qualified
hurricane distribution from an eligible retire-
ment plan other than an individual retirement
plan, then the taxpayer shall, to the extent of
the amount of the contribution, be treated as
having received the qualified hurricane distribution in an eligible rollover distribution (as defined in section 402(c)(4)) and as having transferred the amount to the eligible retirement plan in a direct trustee to trustee transfer within 60 days of the distribution.

“(C) Treatment of repayments for distributions from IRAs.—For purposes of this title, if a contribution is made pursuant to subparagraph (A) with respect to a qualified hurricane distribution from an individual retirement plan (as defined by section 7701(a)(37)), then, to the extent of the amount of the contribution, the qualified hurricane distribution shall be treated as a distribution described in section 408(d)(3) and as having been transferred to the eligible retirement plan in a direct trustee to trustee transfer within 60 days of the distribution.

“(4) Definitions.—For purposes of this subsection—

“(A) Qualified hurricane distribution.—Except as provided in paragraph (2), the term ‘qualified hurricane distribution’ means—
“(i) any distribution from an eligible retirement plan made on or after August 25, 2005, and before January 1, 2007, to an individual whose principal place of abode on August 28, 2005, is located in the Hurricane Katrina disaster area and who has sustained an economic loss by reason of Hurricane Katrina,

“(ii) any distribution (which is not described in clause (i)) from an eligible retirement plan made on or after September 23, 2005, and before January 1, 2007, to an individual whose principal place of abode on September 23, 2005, is located in the Hurricane Rita disaster area and who has sustained an economic loss by reason of Hurricane Rita, and

“(iii) any distribution (which is not described in clause (i) or (ii)) from an eligible retirement plan made on or after October 23, 2005, and before January 1, 2007, to an individual whose principal place of abode on October 23, 2005, is located in the Hurricane Wilma disaster area and who has sustained an economic loss by reason of Hurricane Wilma.
area and who has sustained an economic loss by reason of Hurricane Wilma.

“(B) **Eligible retirement plan.**—The term ‘eligible retirement plan’ shall have the meaning given such term by section 402(c)(8)(B).

“(5) **Income inclusion spread over 3-year period.**—

“(A) **In general.**—In the case of any qualified hurricane distribution, unless the taxpayer elects not to have this paragraph apply for any taxable year, any amount required to be included in gross income for such taxable year shall be so included ratably over the 3-taxable year period beginning with such taxable year.

“(B) **Special rule.**—For purposes of subparagraph (A), rules similar to the rules of subparagraph (E) of section 408A(d)(3) shall apply.

“(6) **Special rules.**—

“(A) **Exemption of distributions from trustee to trustee transfer and withholding rules.**—For purposes of sections 401(a)(31), 402(f), and 3405, qualified hurri-
cane distributions shall not be treated as eligi-
ble rollover distributions.

“(B) QUALIFIED HURRICANE DISTRIBUTIONS TREATED AS MEETING PLAN DISTRIBUTION REQUIREMENTS.—For purposes this title,
a qualified hurricane distribution shall be treat-
ed as meeting the requirements of sections
401(k)(2)(B)(i), 403(b)(7)(A)(ii), 403(b)(11),
and 457(d)(1)(A).

“(b) RECONTRIBUTIONS OF WITHDRAWALS FOR HOME PURCHASES.—

“(1) RECONTRIBUTIONS.—

“(A) IN GENERAL.—Any individual who received a qualified distribution may, during the applicable period, make one or more contribu-
tions in an aggregate amount not to exceed the amount of such qualified distribution to an eli-
gible retirement plan (as defined in section
402(c)(8)(B)) of which such individual is a ben-
eficiary and to which a rollover contribution of such distribution could be made under section
402(c), 403(a)(4), 403(b)(8), or 408(d)(3), as the case may be.

“(B) TREATMENT OF REPAYMENTS.—
Rules similar to the rules of subparagraphs (B)
and (C) of subsection (a)(3) shall apply for purposes of this subsection.

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

“(A) IN GENERAL.—The term ‘qualified distribution’ means any qualified Katrina distribution, any qualified Rita distribution, and any qualified Wilma distribution.

“(B) QUALIFIED KATRINA DISTRIBUTION.—The term ‘qualified Katrina distribution’ means any distribution—

“(i) described in section 401(k)(2)(B)(i)(IV), 403(b)(7)(A)(ii) (but only to the extent such distribution relates to financial hardship), 403(b)(11)(B), or 72(t)(2)(F),

“(ii) received after February 28, 2005, and before August 29, 2005, and

“(iii) which was to be used to purchase or construct a principal residence in the Hurricane Katrina disaster area, but which was not so purchased or constructed on account of Hurricane Katrina.

“(C) QUALIFIED RITA DISTRIBUTION.—

The term ‘qualified Rita distribution’ means
any distribution (other than a qualified Katrina
distribution)—

“(i) described in section
401(k)(2)(B)(i)(IV), 403(b)(7)(A)(ii) (but
only to the extent such distribution relates
to financial hardship), 403(b)(11)(B), or
72(t)(2)(F),

“(ii) received after February 28,
2005, and before September 24, 2005, and

“(iii) which was to be used to pur-
chase or construct a principal residence in
the Hurricane Rita disaster area, but
which was not so purchased or constructed
on account of Hurricane Rita.

“(D) QUALIFIED WILMA DISTRIBUTION.—
The term ‘qualified Wilma distribution’ means
any distribution (other than a qualified Katrina
distribution or a qualified Rita distribution)—

“(i) described in section
401(k)(2)(B)(i)(IV), 403(b)(7)(A)(ii) (but
only to the extent such distribution relates
to financial hardship), 403(b)(11)(B), or
72(t)(2)(F),

“(ii) received after February 28,
2005, and before October 24, 2005, and
“(iii) which was to be used to pur-
chase or construct a principal residence in
the Hurricane Wilma disaster area, but
which was not so purchased or constructed
on account of Hurricane Wilma.

“(3) APPLICABLE PERIOD.—For purposes of
this subsection, the term ‘applicable period’ means—

“(A) with respect to any qualified Katrina
distribution, the period beginning on August
25, 2005, and ending on February 28, 2006,

“(B) with respect to any qualified Rita dis-
tribution, the period beginning on September
23, 2005, and ending on February 28, 2006,
and

“(C) with respect to any qualified Wilma
distribution, the period beginning on October

“(c) LOANS FROM QUALIFIED PLANS.—

“(1) INCREASE IN LIMIT ON LOANS NOT TREAT-
ED AS DISTRIBUTIONS.—In the case of any loan
from a qualified employer plan (as defined under
section 72(p)(4)) to a qualified individual made dur-
ing the applicable period—
“(A) clause (i) of section 72(p)(2)(A) shall be applied by substituting ‘$100,000’ for ‘$50,000’, and

“(B) clause (ii) of such section shall be applied by substituting ‘the present value of the nonforfeitable accrued benefit of the employee under the plan’ for ‘one-half of the present value of the nonforfeitable accrued benefit of

the employee under the plan’.

“(2) DELAY OF REPAYMENT.—In the case of a qualified individual with an outstanding loan on or after the qualified beginning date from a qualified employer plan (as defined in section 72(p)(4))—

“(A) if the due date pursuant to subparagraph (B) or (C) of section 72(p)(2) for any repayment with respect to such loan occurs during the period beginning on the qualified beginning date and ending on December 31, 2006, such due date shall be delayed for 1 year,

“(B) any subsequent repayments with respect to any such loan shall be appropriately adjusted to reflect the delay in the due date under paragraph (1) and any interest accruing during such delay, and
“(C) in determining the 5-year period and
the term of a loan under subparagraph (B) or
(C) of section 72(p)(2), the period described in
subparagraph (A) shall be disregarded.

“(3) QUALIFIED INDIVIDUAL.—For purposes of
this subsection—

“(A) IN GENERAL.—The term ‘qualified
individual’ means any qualified Hurricane
Katrina individual, any qualified Hurricane
Rita individual, and any qualified Hurricane
Wilma individual.

“(B) QUALIFIED HURRICANE KATRINA IN-
DIVIDUAL.—The term ‘qualified Hurricane
Katrina individual’ means an individual whose
principal place of abode on August 28, 2005, is
located in the Hurricane Katrina disaster area
and who has sustained an economic loss by rea-
son of Hurricane Katrina.

“(C) QUALIFIED HURRICANE RITA IN-
DIVIDUAL.—The term ‘qualified Hurricane Rita
individual’ means an individual (other than a
qualified Hurricane Katrina individual) whose
principal place of abode on September 23,
2005, is located in the Hurricane Rita disaster
area and who has sustained an economic loss by reason of Hurricane Rita.

“(D) QUALIFIED HURRICANE WILMA INDIVIDUAL.—The term ‘qualified Hurricane Wilma individual’ means an individual (other than a qualified Hurricane Katrina individual or a qualified Hurricane Rita individual) whose principal place of abode on October 23, 2005, is located in the Hurricane Wilma disaster area and who has sustained an economic loss by reason of Hurricane Wilma.

“(4) APPLICABLE PERIOD; QUALIFIED BEGINNING DATE.—For purposes of this subsection—

“(A) HURRICANE KATRINA.—In the case of any qualified Hurricane Katrina individual—

“(i) the applicable period is the period beginning on September 24, 2005, and ending on December 31, 2006, and

“(ii) the qualified beginning date is August 25, 2005.

“(B) HURRICANE RITA.—In the case of any qualified Hurricane Rita individual—

“(i) the applicable period is the period beginning on the date of the enactment of
this subsection and ending on December 31, 2006, and

“(ii) the qualified beginning date is September 23, 2005.

“(C) HURRICANE WILMA.—In the case of any qualified Hurricane Wilma individual—

“(i) the applicable period is the period beginning on the date of the enactment of this subparagraph and ending on December 31, 2006, and

“(ii) the qualified beginning date is October 23, 2005.

“(d) PROVISIONS RELATING TO PLAN AMENDMENTS.—

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

“(2) AMENDMENTS TO WHICH SUBSECTION APPLIES.—

“(A) IN GENERAL.—This subsection shall apply to any amendment to any plan or annuity contract which is made—
“(i) pursuant to any provision of this section, or pursuant to any regulation issued by the Secretary or the Secretary of Labor under any provision of this section, and

“(ii) on or before the last day of the first plan year beginning on or after January 1, 2007, or such later date as the Secretary may prescribe.

In the case of a governmental plan (as defined in section 414(d)), clause (ii) shall be applied by substituting the date which is 2 years after the date otherwise applied under clause (ii).

“(B) CONDITIONS.—This subsection shall not apply to any amendment unless—

“(i) during the period—

“(I) beginning on the date that this section or the regulation described in subparagraph (A)(i) takes effect (or in the case of a plan or contract amendment not required by this section or such regulation, the effective date specified by the plan), and

“(II) ending on the date described in subparagraph (A)(ii) (or, if
earlier, the date the plan or contract
amendment is adopted),
the plan or contract is operated as if such
plan or contract amendment were in effect;
and
“(ii) such plan or contract amendment
applies retroactively for such period.

SEC. 1400P. EMPLOYMENT RELIEF.

“(a) EMPLOYEE RETENTION CREDIT FOR EMPLOY-
ERS AFFECTED BY HURRICANE KATRINA.—

“(1) IN GENERAL.—For purposes of section 38,
in the case of an eligible employer, the Hurricane
Katrina employee retention credit for any taxable
year is an amount equal to 40 percent of the qual-
ified wages with respect to each eligible employee of
such employer for such taxable year. For purposes
of the preceding sentence, the amount of qualified
wages which may be taken into account with respect
to any individual shall not exceed $6,000.

“(2) DEFINITIONS.—For purposes of this sub-
section—

“(A) ELIGIBLE EMPLOYER.—The term ‘eli-
gible employer’ means any employer—
“(i) which conducted an active trade
or business on August 28, 2005, in the GO
Zone, and

“(ii) with respect to whom the trade
or business described in clause (i) is inop-
erable on any day after August 28, 2005,
and before January 1, 2006, as a result of
damage sustained by reason of Hurricane
Katrina.

“(B) ELIGIBLE EMPLOYEE.—The term ‘el-
igible employee’ means with respect to an eligi-
ble employer an employee whose principal place
of employment on August 28, 2005, with such
eligible employer was in the GO Zone.

“(C) QUALIFIED WAGES.—The term
‘qualified wages’ means wages (as defined in
section 51(c)(1), but without regard to section
3306(b)(2)(B)) paid or incurred by an eligible
employer with respect to an eligible employee on
any day after August 28, 2005, and before Jan-
uary 1, 2006, which occurs during the period—

“(i) beginning on the date on which
the trade or business described in subpara-
graph (A) first became inoperable at the
principal place of employment of the em-
ployee immediately before Hurricane Katrina, and

“(ii) ending on the date on which such trade or business has resumed significant operations at such principal place of employment.

Such term shall include wages paid without regard to whether the employee performs no services, performs services at a different place of employment than such principal place of employment, or performs services at such principal place of employment before significant operations have resumed.

“(3) Credit not allowed for large businesses.—The term ‘eligible employer’ shall not include any trade or business for any taxable year if such trade or business employed an average of more than 200 employees on business days during the taxable year.

“(4) Certain rules to apply.—For purposes of this subsection, rules similar to the rules of sections 51(i)(1), 52, and 280C(a) shall apply.

“(5) Employee not taken into account more than once.—An employee shall not be treated as an eligible employee for purposes of this sub-
section for any period with respect to any employer if such employer is allowed a credit under section 51 with respect to such employee for such period.

“(b) Employee Retention Credit for Employers Affected by Hurricane Rita.—

“(1) In general.—For purposes of section 38, in the case of an eligible employer, the Hurricane Rita employee retention credit for any taxable year is an amount equal to 40 percent of the qualified wages with respect to each eligible employee of such employer for such taxable year. For purposes of the preceding sentence, the amount of qualified wages which may be taken into account with respect to any individual shall not exceed $6,000.

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

“(A) Eligible employer.—The term ‘eligible employer’ means any employer—

“(i) which conducted an active trade or business on September 23, 2005, in the Rita GO Zone, and

“(ii) with respect to whom the trade or business described in clause (i) is inoperable on any day after September 23, 2005, and before January 1, 2006, as a re-
sult of damage sustained by reason of Hurricane Rita.

“(B) ELIGIBLE EMPLOYEE.—The term ‘eligible employee’ means with respect to an eligible employer an employee whose principal place of employment on September 23, 2005, with such eligible employer was in the Rita GO Zone.

“(C) QUALIFIED WAGES.—The term ‘qualified wages’ means wages (as defined in section 51(c)(1), but without regard to section 3306(b)(2)(B)) paid or incurred by an eligible employer with respect to an eligible employee on any day after September 23, 2005, and before January 1, 2006, which occurs during the period—

“(i) beginning on the date on which the trade or business described in subparagraph (A) first became inoperable at the principal place of employment of the employee immediately before Hurricane Rita, and

“(ii) ending on the date on which such trade or business has resumed significant
operations at such principal place of employment.
Such term shall include wages paid without regard to whether the employee performs no services, performs services at a different place of employment than such principal place of employment, or performs services at such principal place of employment before significant operations have resumed.

“(3) CREDIT NOT ALLOWED FOR LARGE BUSINESSES.—The term ‘eligible employer’ shall not include any trade or business for any taxable year if such trade or business employed an average of more than 200 employees on business days during the taxable year.

“(4) CERTAIN RULES TO APPLY.—For purposes of this subsection, rules similar to the rules of sections 51(i)(1), 52, and 280C(a) shall apply.

“(5) EMPLOYEE NOT TAKEN INTO ACCOUNT MORE THAN ONCE.—An employee shall not be treated as an eligible employee for purposes of this subsection for any period with respect to any employer if such employer is allowed a credit under subsection (a) or section 51 with respect to such employee for such period.
“(c) Employee Retention Credit for Employers Affected by Hurricane Wilma.—

“(1) In general.—For purposes of section 38, in the case of an eligible employer, the Hurricane Wilma employee retention credit for any taxable year is an amount equal to 40 percent of the qualified wages with respect to each eligible employee of such employer for such taxable year. For purposes of the preceding sentence, the amount of qualified wages which may be taken into account with respect to any individual shall not exceed $6,000.

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

“(A) Eligible employer.—The term ‘eligible employer’ means any employer—

“(i) which conducted an active trade or business on October 23, 2005, in the Wilma GO Zone, and

“(ii) with respect to whom the trade or business described in clause (i) is inoperable on any day after October 23, 2005, and before January 1, 2006, as a result of damage sustained by reason of Hurricane Wilma.
“(B) Eligible Employee.—The term ‘eligible employee’ means with respect to an eligible employer an employee whose principal place of employment on October 23, 2005, with such eligible employer was in the Wilma GO Zone.

“(C) Qualified Wages.—The term ‘qualified wages’ means wages (as defined in section 51(c)(1), but without regard to section 3306(b)(2)(B)) paid or incurred by an eligible employer with respect to an eligible employee on any day after October 23, 2005, and before January 1, 2006, which occurs during the period—

“(i) beginning on the date on which the trade or business described in subparagraph (A) first became inoperable at the principal place of employment of the employee immediately before Hurricane Wilma, and

“(ii) ending on the date on which such trade or business has resumed significant operations at such principal place of employment.

Such term shall include wages paid without regard to whether the employee performs no serv-
ices, performs services at a different place of employment than such principal place of employment, or performs services at such principal place of employment before significant operations have resumed.

“(3) Credit not allowed for large businesses.—The term ‘eligible employer’ shall not include any trade or business for any taxable year if such trade or business employed an average of more than 200 employees on business days during the taxable year.

“(4) Certain rules to apply.—For purposes of this subsection, rules similar to the rules of sections 51(i)(1), 52, and 280C(a) shall apply.

“(5) Employee not taken into account more than once.—An employee shall not be treated as an eligible employee for purposes of this subsection for any period with respect to any employer if such employer is allowed a credit under subsection (a) or (b) or section 51 with respect to such employee for such period.

“SEC. 1400Q. ADDITIONAL TAX RELIEF PROVISIONS.

“(a) Temporary Suspension of Limitations on Charitable Contributions.—
“(1) IN GENERAL.—Except as otherwise provided in paragraph (2), section 170(b) shall not apply to qualified contributions and such contributions shall not be taken into account for purposes of applying subsections (b) and (d) of section 170 to other contributions.

“(2) TREATMENT OF EXCESS CONTRIBUTIONS.—For purposes of section 170—

“(A) INDIVIDUALS.—In the case of an individual—

“(i) LIMITATION.—Any qualified contribution shall be allowed only to the extent that the aggregate of such contributions does not exceed the excess of the taxpayer’s contribution base (as defined in subparagraph (F) of section 170(b)(1)) over the amount of all other charitable contributions allowed under section 170(b)(1).

“(ii) CARRYOVER.—If the aggregate amount of qualified contributions made in the contribution year (within the meaning of section 170(d)(1)) exceeds the limitation of clause (i), such excess shall be added to the excess described in the portion of sub-
paragraph (A) of such section which pre-
cedes clause (i) thereof for purposes of ap-
plying such section.

“(B) CORPORATIONS.—In the case of a
corporation—

“(i) LIMITATION.—Any qualified con-
tribution shall be allowed only to the ex-
tent that the aggregate of such contribu-
tions does not exceed the excess of the tax-
payer’s taxable income (as determined
under paragraph (2) of section 170(b))
over the amount of all other charitable
contributions allowed under such para-
graph.

“(ii) CARRYOVER.—Rules similar to
the rules of subparagraph (A)(ii) shall
apply for purposes of this subparagraph.

“(3) EXCEPTION TO OVERALL LIMITATION ON
ITEMIZED DEDUCTIONS.—So much of any deduction
allowed under section 170 as does not exceed the
qualified contributions paid during the taxable year
shall not be treated as an itemized deduction for
purposes of section 68.

“(4) QUALIFIED CONTRIBUTIONS.—
“(A) IN GENERAL.—For purposes of this subsection, the term ‘qualified contribution’ means any charitable contribution (as defined in section 170(c)) if—

“(i) such contribution is paid during the period beginning on August 28, 2005, and ending on December 31, 2005, in cash to an organization described in section 170(b)(1)(A) (other than an organization described in section 509(a)(3)),

“(ii) in the case of a contribution paid by a corporation, such contribution is for relief efforts related to Hurricane Katrina, Hurricane Rita, or Hurricane Wilma, and

“(iii) the taxpayer has elected the application of this subsection with respect to such contribution.

“(B) EXCEPTION.—Such term shall not include a contribution if the contribution is for establishment of a new, or maintenance in an existing, segregated fund or account with respect to which the donor (or any person appointed or designated by such donor) has, or reasonably expects to have, advisory privileges
with respect to distributions or investments by reason of the donor’s status as a donor.

“(C) Application of election to partnerships and S corporations.—In the case of a partnership or S corporation, the election under subparagraph (A)(iii) shall be made separately by each partner or shareholder.

“(b) Suspension of certain limitations on personal casualty losses.—Paragraphs (1) and (2)(A) of section 165(h) shall not apply to losses described in section 165(c)(3)—

“(1) which arise in the Hurricane Katrina disaster area on or after August 25, 2005, and which are attributable to Hurricane Katrina,

“(2) which arise in the Hurricane Rita disaster area on or after September 23, 2005, and which are attributable to Hurricane Rita, or

“(3) which arise in the Hurricane Wilma disaster area on or after October 23, 2005, and which are attributable to Hurricane Wilma.

In the case of any other losses, section 165(h)(2)(A) shall be applied without regard to the losses referred to in the preceding sentence.

“(c) Required exercise of authority under section 7508A.—In the case of any taxpayer determined
by the Secretary to be affected by the Presidentially de-
clared disaster relating to Hurricane Katrina, Hurricane
Rita, or Hurricane Wilma, any relief provided by the Sec-
retary under section 7508A shall be for a period ending
not earlier than February 28, 2006.

“(d) SPECIAL RULE FOR DETERMINING EARNED IN-
COME.—

“(1) In general.—In the case of a qualified
individual, if the earned income of the taxpayer for
the taxable year which includes the applicable date
is less than the earned income of the taxpayer for
the preceding taxable year, the credits allowed under
sections 24(d) and 32 may, at the election of the
taxpayer, be determined by substituting—

“(A) such earned income for the preceding
taxable year, for

“(B) such earned income for the taxable
year which includes the applicable date.

“(2) Qualified individual.—For purposes of
this subsection—

“(A) In general.—The term ‘qualified
individual’ means any qualified Hurricane
Katrina individual, any qualified Hurricane
Rita individual, and any qualified Hurricane
Wilma individual.
“(B) QUALIFIED HURRICANE KATRINA INDIVIDUAL.—The term ‘qualified Hurricane Katrina individual’ means any individual whose principal place of abode on August 25, 2005, was located—

“(i) in the GO Zone, or

“(ii) in the Hurricane Katrina disaster area (but outside the GO Zone) and such individual was displaced from such principal place of abode by reason of Hurricane Katrina.

“(C) QUALIFIED HURRICANE RITA INDIVIDUAL.—The term ‘qualified Hurricane Rita individual’ means any individual (other than a qualified Hurricane Katrina individual) whose principal place of abode on September 23, 2005, was located—

“(i) in the Rita GO Zone, or

“(ii) in the Hurricane Rita disaster area (but outside the Rita GO Zone) and such individual was displaced from such principal place of abode by reason of Hurricane Rita.

“(D) QUALIFIED HURRICANE WILMA INDIVIDUAL.—The term ‘qualified Hurricane Wilma
individual’ means any individual whose principal place of abode on October 23, 2005, was located—

“(i) in the Wilma GO Zone, or

“(ii) in the Hurricane Wilma disaster area (but outside the Wilma GO Zone) and such individual was displaced from such principal place of abode by reason of Hurricane Wilma.

“(3) APPLICABLE DATE.—For purposes of this subsection, the term ‘applicable date’ means—

“(A) in the case of a qualified Hurricane Katrina individual, August 25, 2005,

“(B) in the case of a qualified Hurricane Rita individual, September 23, 2005, and

“(C) in the case of a qualified Hurricane Wilma individual, October 23, 2005.

“(4) EARNED INCOME.—For purposes of this subsection, the term ‘earned income’ has the meaning given such term under section 32(c).

“(5) SPECIAL RULES.—

“(A) APPLICATION TO JOINT RETURNS.—

For purposes of paragraph (1), in the case of a joint return for a taxable year which includes the applicable date—
“(i) such paragraph shall apply if either spouse is a qualified individual, and

“(ii) the earned income of the taxpayer for the preceding taxable year shall be the sum of the earned income of each spouse for such preceding taxable year.

“(B) Uniform Application of Election.—Any election made under paragraph (1) shall apply with respect to both section 24(d) and section 32.

“(C) Errors Treated as Mathematical Error.—For purposes of section 6213, an incorrect use on a return of earned income pursuant to paragraph (1) shall be treated as a mathematical or clerical error.

“(D) No Effect on Determination of Gross Income, etc.—Except as otherwise provided in this subsection, this title shall be applied without regard to any substitution under paragraph (1).

“(e) Secretarial Authority to Make Adjustments Regarding Taxpayer and Dependency Status.—With respect to taxable years beginning in 2005 or 2006, the Secretary may make such adjustments in the application of the internal revenue laws as may be nec-
essary to ensure that taxpayers do not lose any deduction
or credit or experience a change of filing status by reason
of temporary relocations by reason of Hurricane Katrina,
Hurricane Rita, or Hurricane Wilma. Any adjustments
made under the preceding sentence shall ensure that an
individual is not taken into account by more than one tax-
payer with respect to the same tax benefit.”.

(b) CONFORMING AMENDMENTS.—

(1) Subsection (b) of section 38 is amended by
striking “and” at the end of paragraph (25), by
striking the period at the end of paragraph (26) and
inserting a comma, and by adding at the end the fol-
lowing new paragraphs:

“(27) the Hurricane Katrina employee reten-
tion credit determined under section 1400P(a),

“(28) the Hurricane Rita employee retention
credit determined under section 1400P(b), and

“(29) the Hurricane Wilma employee retention
credit determined under section 1400P(c).”.

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

“Sec. 1400O. Special rules for use of retirement funds.
“Sec. 1400P. Employment relief.
“Sec. 1400Q. Additional tax relief provisions.”.
(3) The heading for such part is amended by striking “GULF OPPORTUNITY ZONE” and inserting “HURRICANE RELIEF”.

(4) The following provisions of the Katrina Emergency Tax Relief Act of 2005 are hereby repealed:

(A) Title I.

(B) Sections 202, 301, 402, 403(b), 406, and 407.

TITLE III—OTHER PROVISIONS

SEC. 301. SECRETARIAL AUTHORITY TO EXTEND PERIOD DURING WHICH TRAVELING EXPENSES ARE TREATED AS INCURRED AWAY FROM HOME IN CASE OF MAJOR DISASTER.

(a) In General.—Section 162 (relating to trade or business expenses) is amended by redesignating subsection (q) as subsection (r) and by inserting after subsection (p) the following new subsection:

“(q) LIMITATION ON TRAVELING EXPENSES.—

“(1) IN GENERAL.—For purposes of subsection (a)(2), the taxpayer shall not be treated as being temporarily away from home during any period of employment if such period exceeds 1 year.

“(2) AUTHORITY TO EXTEND IN CASE OF MAJOR DISASTER.—In the case of a taxpayer who is
away from home in pursuit of a trade or business
by reason of a disaster which the President has de-\nclared to be a major disaster under section 401 of
the Robert T. Stafford Disaster Relief and Emer-
gency Assistance Act, the Secretary may extend the
1-year period referred to in paragraph (1) for a pe-
period not exceeding 1 additional year.

“(3) Exception for certain Federal em-
ployees designated by the Attorney Gen-
eral.—Paragraph (1) shall not apply to any Fed-
eral employee during any period for which such em-
pLOYEE is certified by the Attorney General (or the
designee thereof) as traveling on behalf of the
United States in temporary duty status to inves-
tigate or prosecute, or provide support services for
the investigation or prosecution of, a Federal
crime.”.

(b) Conforming Amendment.—Subsection (a) of
section 162 is amended by striking the last two sentences.

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

SEC. 302. GULF COAST RECOVERY BONDS.

It is the sense of the Congress that the Secretary of
the Treasury, or the Secretary’s delegate, should designate
one or more series of bonds or certificates (or any portion thereof) issued under section 3105 of title 31, United States Code, as “Gulf Coast Recovery Bonds” in response to Hurricanes Katrina, Rita, and Wilma.

Passed the House of Representatives December 7, 2005.

Attest:

Clerk.
To amend the Internal Revenue Code of 1986 to provide tax benefits for the Gulf Opportunity Zone and certain areas affected by Hurricanes Rita and Wilma, and for other purposes.