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(Original Signature of Member)

109TH CONGRESS
1ST SESSION

H. R. _____

To provide emergency tax relief for persons affected by Hurricane Katrina.

IN THE HOUSE OF REPRESENTATIVES

Mr. McCRERY (for himself and Mr. JEFFERSON) introduced the following bill;
which was referred to the Committee on _____

A BILL

To provide emergency tax relief for persons affected by
Hurricane Katrina.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Katrina Emergency
5 Tax Relief Act of 2005”.

6 **SEC. 2. DESIGNATION AS EMERGENCY REQUIREMENT.**

7 Any provision of this Act causing an effect on re-
8 ceipts, budget authority, or outlays is designated as an



1 emergency requirement pursuant to section 402 of H.
2 Con. Res. 95 (109th Congress).

3 **TITLE I—GENERAL TAX RELIEF**
4 **PROVISIONS**

5 **SEC. 101. EXTENSION OF REPLACEMENT PERIOD FOR NON-**
6 **RECOGNITION OF GAIN.**

7 Clause (i) of section 1033(a)(2)(B) of the Internal
8 Revenue Code of 1986 shall be applied by substituting “5
9 years” for “2 years” with respect to property which—

10 (1) is located in an area determined by the
11 President to warrant individual or individual and
12 public assistance from the Federal Government
13 under the Robert T. Stafford Disaster Relief and
14 Emergency Assistance Act by reason of Hurricane
15 Katrina, and

16 (2) is compulsorily or involuntarily converted as
17 a result of such hurricane,

18 but only if substantially all of the use of the replacement
19 property is located in any such area.

20 **SEC. 102. SUSPENSION OF LIMITATIONS ON CHARITABLE**
21 **CONTRIBUTIONS FOR RELIEF EFFORTS RE-**
22 **LATED TO HURRICANE KATRINA.**

23 (a) IN GENERAL.—Except as otherwise provided in
24 subsection (b), qualified disaster contributions shall not be



1 taken into account for purposes of subsections (b) and (d)
2 of section 170 of the Internal Revenue Code of 1986.

3 (b) TREATMENT OF EXCESS CONTRIBUTIONS.—For
4 purposes of section 170 of such Code—

5 (1) INDIVIDUALS.—In the case of an
6 individual—

7 (A) LIMITATION.—Any qualified disaster
8 contribution shall be allowed only to the extent
9 that the aggregate of such contributions does
10 not exceed the excess of the taxpayer's con-
11 tribution base (as defined in paragraph (1) of
12 section 170(b) of such Code) over the amount
13 of all other charitable contributions allowed
14 under such paragraph.

15 (B) CARRYOVER.—If the aggregate
16 amount of qualified disaster contributions made
17 in the contribution year (within the meaning of
18 section 170(d)(1) of such Code) exceeds the
19 limitation of subparagraph (A), such excess
20 shall be added to the excess described in the
21 portion of subparagraph (A) of such section
22 which precedes clause (i) thereof for purposes
23 of applying such section.

24 (2) CORPORATIONS.—In the case of a
25 corporation—



1 (A) LIMITATION.—Any qualified disaster
2 contribution shall be allowed only to the extent
3 that the aggregate of such contributions does
4 not exceed the excess of the taxpayer’s taxable
5 income (as determined under paragraph (2) of
6 section 170(b) of such Code) over the amount
7 of all other charitable contributions allowed
8 under such paragraph.

9 (B) CARRYOVER.—Rules similar to the
10 rules of paragraph (1)(B) shall apply for pur-
11 poses of this paragraph.

12 (c) EXCEPTION TO OVERALL LIMITATION ON
13 ITEMIZED DEDUCTIONS.—So much of any deduction al-
14 lowed under section 170 of such Code as does not exceed
15 the qualified disaster contributions made during the tax-
16 able year shall not be treated as an itemized deduction
17 for purposes of section 68 of such Code.

18 (d) QUALIFIED DISASTER CONTRIBUTIONS.—For
19 purposes of this section, the term “qualified disaster con-
20 tribution” means any charitable contribution (as defined
21 in section 170(c) of such Code)—

22 (1) made during the period beginning on Au-
23 gust 28, 2005, and ending on December 31, 2005,
24 in cash to an organization described in section
25 170(b)(1)(A) of such Code (other than an organiza-



1 tion described in section 509(a)(3) of such Code) for
2 relief efforts related to Hurricane Katrina, and

3 (2) with respect to which the taxpayer has
4 elected the application of this section.

5 In the case of a partnership or S corporation, the election
6 under paragraph (2) shall be made separately by each
7 partner or shareholder.

8 **SEC. 103. MILEAGE RATE FOR CHARITABLE PURPOSES RE-**
9 **LATED TO HURRICANE KATRINA.**

10 (a) MILEAGE RATE FOR CHARITABLE PURPOSES RE-
11 LATED TO HURRICANE KATRINA.—Notwithstanding sub-
12 section (i) of section 170 of the Internal Revenue Code
13 of 1986, in the case of the use of a vehicle described in
14 subsection (f)(12)(E)(i) of such section for provision of re-
15 lief related to Hurricane Katrina, the standard mileage
16 rate for purposes of such section shall be 70 percent of
17 the standard mileage rate for business purposes prescribed
18 by the Secretary for purposes of chapter 1 of such Code
19 which is in effect on the date of the contribution.

20 (b) APPLICATION.—Subsection (a) shall apply only
21 with respect to contributions made before January 1,
22 2007.



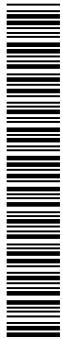
1 **SEC. 104. EXCLUSION OF CERTAIN CANCELLATIONS OF IN-**
2 **DEBTEDNESS.**

3 (a) IN GENERAL.—For purposes of the Internal Rev-
4 enue Code of 1986, gross income shall not include any
5 amount which (but for this section) would be includible
6 in gross income by reason of the discharge (in whole or
7 in part) of qualified nonbusiness debt of a qualified indi-
8 vidual by an applicable entity (as defined in section
9 6050P(c)).

10 (b) QUALIFIED NONBUSINESS DEBT.—For purposes
11 of this section, the term “qualified nonbusiness debt”
12 means any indebtedness other than indebtedness incurred
13 in connection with a trade or business.

14 (c) QUALIFIED INDIVIDUAL.—For purposes of this
15 section, the term “qualified individual” means any natural
16 person who was a resident (as of August 28, 2005) of,
17 or who owned real property (as of the date of such dis-
18 charge) in, any area which is determined by the President
19 to warrant individual or individual and public assistance
20 from the Federal Government under the Robert T. Staf-
21 ford Disaster Relief and Emergency Assistance Act by
22 reason of Hurricane Katrina.

23 (d) EXCEPTION FOR REAL PROPERTY OUTSIDE DIS-
24 ASTER AREA.—Subsection (a) shall not apply to any dis-
25 charge of indebtedness to the extent that real property



1 constituting security for such indebtedness is located out-
2 side of the area described in subsection (c).

3 (e) DENIAL OF DOUBLE BENEFIT.—The amount ex-
4 cluded from gross income under subsection (a) shall be
5 applied to reduce the tax attributes of the taxpayer as pro-
6 vided in section 108(b) of the Internal Revenue Code of
7 1986.

8 (f) APPLICATION.—This section shall not apply to
9 discharges after December 31, 2006.

10 **SEC. 105. SPECIAL RULES FOR MORTGAGE REVENUE**
11 **BONDS.**

12 (a) IN GENERAL.—In the case of financing provided
13 with respect to a qualified Hurricane Katrina recovery res-
14 idence, subsection (d) of section 143 of the Internal Rev-
15 enue Code of 1986 shall be applied as if such residence
16 were a targeted area residence.

17 (b) QUALIFIED HURRICANE KATRINA RECOVERY
18 RESIDENCE.—For purposes of this section, the term
19 “qualified Hurricane Katrina recovery residence” means
20 any residence if such residence is located in an area which
21 is determined by the President to warrant individual or
22 individual and public assistance from the Federal Govern-
23 ment under the Robert T. Stafford Disaster Relief and
24 Emergency Assistance Act by reason of Hurricane
25 Katrina.



1 (c) APPLICATION.—Subsection (a) shall not apply to
2 financing provided after December 31, 2007.

3 **SEC. 106. SUSPENSION OF CERTAIN LIMITATIONS ON PER-**
4 **SONAL CASUALTY LOSSES.**

5 Paragraphs (1) and (2)(A) of section 165(h) of the
6 Internal Revenue Code of 1986 shall not apply to losses
7 described in section 165(e)(3) of such Code which are at-
8 tributable to Hurricane Katrina. In the case of any other
9 losses, section 165(h)(2)(A) of such Code shall be applied
10 without regard to the losses referred to in the preceding
11 sentence.

12 **SEC. 107. ADDITIONAL EXEMPTION FOR HOUSING HURRI-**
13 **CANE KATRINA DISPLACED INDIVIDUALS.**

14 (a) IN GENERAL.—In the case of taxable years of a
15 natural person beginning in 2005 and 2006, for purposes
16 of the Internal Revenue Code of 1986, taxable income
17 shall be reduced by \$500 for each Hurricane Katrina dis-
18 placed individual of the taxpayer for the taxable year.

19 (b) LIMITATIONS.—

20 (1) DOLLAR LIMITATION.—The reduction under
21 subsection (a) shall not exceed \$2,000, reduced by
22 the amount of the reduction under this section for
23 all previous taxable years.

24 (2) INDIVIDUALS TAKEN INTO ACCOUNT ONLY
25 ONCE.—An individual shall not be taken into ac-



1 count under subsection (a) if such individual was
2 taken into account under such subsection by the tax-
3 payer in any prior taxable year.

4 (c) HURRICANE KATRINA DISPLACED INDIVIDUAL.—
5 For purposes of this subsection, the term “Hurricane
6 Katrina displaced individual” means, with respect to any
7 taxpayer for any taxable year, a natural person who—

8 (1) was (as of August 28, 2005) a resident of
9 any area which is determined by the President to
10 warrant individual or individual and public assist-
11 ance from the Federal Government under the Robert
12 T. Stafford Disaster Relief and Emergency Assist-
13 ance Act by reason of Hurricane Katrina,

14 (2) is displaced from the person’s residence lo-
15 cated in the area described in paragraph (1), and

16 (3) is provided housing free of charge by the
17 taxpayer in the principal residence of the taxpayer
18 for a period of 60 consecutive days which ends in
19 such taxable year.

20 Such term shall not include the spouse or any dependent
21 of the taxpayer.

22 **SEC. 108. SPECIAL RULE FOR DETERMINING EARNED IN-**
23 **COME.**

24 (a) IN GENERAL.—In the case of a qualified indi-
25 vidual, if the earned income of the taxpayer for the taxable



1 year of such taxpayer which includes August 28, 2005,
2 is less than the earned income which is attributable to the
3 taxpayer for the preceding taxable year, the credits al-
4 lowed under sections 24(d) and 32 of the Internal Revenue
5 Code of 1986 may, at the election of the taxpayer, be de-
6 termined by substituting—

7 (1) such earned income for the preceding tax-
8 able year, for

9 (2) such earned income for the taxable year
10 which includes August 28, 2005.

11 (b) QUALIFIED INDIVIDUAL.—For purposes of this
12 section, the term “qualified individual” means any indi-
13 vidual who was (as of August 28, 2005) a resident of any
14 area which is determined by the President to warrant indi-
15 vidual or individual and public assistance from the Federal
16 Government under the Robert T. Stafford Disaster Relief
17 and Emergency Assistance Act by reason of Hurricane
18 Katrina.

19 (c) EARNED INCOME.—For purposes of this section,
20 the term “earned income” has the meaning given such
21 term under section 32(c) of such Code.

22 (d) SPECIAL RULES.—

23 (1) APPLICATION TO JOINT RETURNS.—For
24 purpose of subsection (a), in the case of a joint re-



1 turn for a taxable year which includes August 28,
2 2005,

3 (A) such subsection shall apply if either
4 spouse is a qualified individual,

5 (B) the earned income which is attrib-
6 utable to the taxpayer for the preceding taxable
7 year shall be the sum of the earned income
8 which is attributable to each spouse for such
9 preceding taxable year, and

10 (C) the substitution described in such sub-
11 section shall apply only with respect to earned
12 income which is attributable to a spouse who is
13 a qualified individual.

14 (2) UNIFORM APPLICATION OF ELECTION.—
15 Any election made under subsection (a) shall apply
16 with respect to both section 24(d) and section 32 of
17 such Code.

18 (3) ERRORS TREATED AS MATHEMATICAL
19 ERROR.—For purposes of section 6213 of such
20 Code, an incorrect use on a return of earned income
21 pursuant to subsection (a) shall be treated as a
22 mathematical or clerical error.

23 (4) NO EFFECT ON DETERMINATION OF GROSS
24 INCOME.—For purposes of the Internal Revenue
25 Code of 1986, gross income shall be determined



1 without regard to any substitution under subsection
2 (a).

3 **SEC. 109. SECRETARIAL AUTHORITY TO MAKE ADJUST-**
4 **MENTS REGARDING TAXPAYER AND DEPEND-**
5 **ENCY STATUS.**

6 With respect to taxable years beginning in 2005 or
7 2006, the Secretary of the Treasury, or his delegate, may
8 make such adjustments in the application of the internal
9 revenue laws as may be necessary to ensure that taxpayers
10 do not lose dependency exemptions or child credits or ex-
11 perience a change of filing status by reason of temporary
12 relocations after Hurricane Katrina or by reason of the
13 receipt of hurricane relief. Any adjustments made under
14 the preceding sentence shall ensure that an individual is
15 not taken into account by more than one taxpayer with
16 respect to the same tax benefit.

17 **SEC. 110. WORK OPPORTUNITY TAX CREDIT FOR HURRI-**
18 **CANE KATRINA EMPLOYEES.**

19 (a) IN GENERAL.—For purposes of section 51 of the
20 Internal Revenue Code of 1986, a Hurricane Katrina em-
21 ployee shall be treated as a member of a targeted group.

22 (b) HURRICANE KATRINA EMPLOYEE.—For pur-
23 poses of this section, the term “Hurricane Katrina em-
24 ployee” means any individual who, on August 28, 2005,



1 had a principal place of abode in a Hurricane Katrina dis-
2 aster area.

3 (c) SPECIAL RULES FOR DETERMINING CREDIT.—

4 For purposes of applying subpart F of part IV of sub-
5 chapter A of chapter 1 of such Code to wages paid or in-
6 curred to any Hurricane Katrina employee—

7 (1) section 51(c)(4) of such Code shall not
8 apply, and

9 (2) except in the case of an employee of the em-
10 ployer (within the meaning of section 51 of such
11 Code) on August 28, 2005, or an employee initially
12 hired after such date, section 51(i)(2) of such Code
13 shall not apply.

14 (d) APPLICATION OF SECTION.—This section shall
15 apply only to wages (within the meaning on section 51(c)
16 of such Code) paid or incurred to any individual who—

17 (1) is being hired for a position the principal
18 place of employment of which is located in a Hurri-
19 cane Katrina disaster area, and

20 (2) who begins work for the employer during
21 the 2-year period beginning on August 29, 2005.

22 (e) HURRICANE KATRINA DISASTER AREA.—For
23 purposes of this section, the term “Hurricane Katrina dis-
24 aster area” means any area which is determined by the
25 President to warrant individual or individual and public



1 assistance from the Federal Government under the Robert
2 T. Stafford Disaster Relief and Emergency Assistance Act
3 by reason of Hurricane Katrina.

4 **TITLE II—PENALTY FREE USE**
5 **OF RETIREMENT FUNDS IN**
6 **THE CASE OF NATURAL DIS-**
7 **ASTERS**

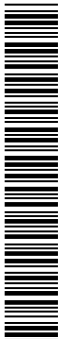
8 **SEC. 201. PENALTY FREE WITHDRAWALS FROM RETIRE-**
9 **MENT PLANS UPON FEDERAL DECLARATION**
10 **OF NATURAL DISASTER.**

11 (a) IN GENERAL.—Paragraph (2) of section 72(t) of
12 the Internal Revenue Code of 1986 (relating to 10-percent
13 additional tax on early distributions from qualified retire-
14 ment plans) is amended by adding at the end the following
15 new subparagraph:

16 “(G) DISTRIBUTIONS FROM RETIREMENT
17 PLANS UPON FEDERAL DECLARATION OF NAT-
18 URAL DISASTER.—

19 “(i) IN GENERAL.—Any qualified dis-
20 aster-relief distribution.

21 “(ii) AGGREGATE LIMITATION.—The
22 aggregate amount of payments or distribu-
23 tions received by an individual which may
24 be treated as qualified disaster-relief dis-



1 tributions for any taxable year shall not
2 exceed the excess (if any) of —

3 “(I) \$100,000, over

4 “(II) the aggregate amounts
5 treated as qualified disaster-relief dis-
6 tributions with respect to such indi-
7 vidual for all prior taxable years.

8 “(iii) AMOUNT DISTRIBUTED MAY BE
9 REPAID.—

10 “(I) IN GENERAL.—Any indi-
11 vidual who receives a qualified dis-
12 aster-relief distribution may, at any
13 time during the 3-year period begin-
14 ning on the day after the date on
15 which such distribution was made,
16 make one or more contributions in an
17 aggregate amount not to exceed the
18 amount of such distribution to an eli-
19 gible retirement plan (as defined in
20 section 402(c)(8)(B)) of which such
21 individual is a beneficiary and to
22 which a rollover contribution of such
23 distribution could be made under sec-
24 tion 402(c), 403(a)(4), 403(b)(8), or
25 408(d)(3), as the case may be.



1 “(II) TREATMENT OF REPAY-
2 MENTS FOR DISTRIBUTIONS FROM EL-
3 IGIBLE RETIREMENT PLANS OTHER
4 THAN IRAS.—For purposes of this
5 title, if a contribution is made pursu-
6 ant to subclause (I) with respect to a
7 qualified disaster-relief distribution
8 from an eligible retirement plan (as so
9 defined) other than an individual re-
10 tirement plan, then the taxpayer shall,
11 to the extent of the amount of the
12 contribution, be treated as having re-
13 ceived the qualified disaster-relief dis-
14 tribution in an eligible rollover dis-
15 tribution (as defined in section
16 402(c)(4)) and as having transferred
17 the amount to the eligible retirement
18 plan in a direct trustee to trustee
19 transfer within 60 days of the dis-
20 tribution.

21 “(III) TREATMENT OF REPAY-
22 MENTS FOR DISTRIBUTIONS FROM
23 IRAS.—For purposes of this title, if a
24 contribution is made pursuant to sub-
25 clause (I) with respect to a qualified



1 disaster-relief distribution from an in-
2 dividual retirement plan, then, to the
3 extent of the amount of the contribu-
4 tion, the qualified disaster-relief dis-
5 tribution shall be treated as a dis-
6 tribution described in section
7 408(d)(3) and as having been trans-
8 ferred to the eligible retirement plan
9 in a direct trustee to trustee transfer
10 within 60 days of the distribution.

11 “(IV) APPLICATION TO GOVERN-
12 MENTAL SECTION 457 PLANS.—In de-
13 termining whether any distribution is
14 a qualified disaster-relief distribution
15 for purposes of this clause, an eligible
16 deferred compensation plan (as de-
17 fined in section 457(b)) maintained by
18 an employer described in section
19 457(e)(1)(A) shall be treated as a
20 qualified retirement plan.

21 “(iv) QUALIFIED DISASTER-RELIEF
22 DISTRIBUTION.—For purposes of this sub-
23 paragraph, the term ‘qualified disaster-re-
24 lief distribution’ means any distribution—



1 “(I) to an individual who has
2 sustained a loss as a result of a major
3 disaster declared under section 401 of
4 the Robert T. Stafford Disaster Relief
5 and Emergency Assistance Act by rea-
6 son of Hurricane Katrina and who
7 has a principal place of abode imme-
8 diately before the declaration in a
9 qualified disaster area, and

10 “(II) which is made during the 1-
11 year period beginning on the date
12 such declaration is made.

13 “(v) QUALIFIED DISASTER AREA.—
14 For purposes of this subparagraph, the
15 term ‘qualified disaster area’ means any
16 area which is determined by the President
17 to warrant individual or individual and
18 public assistance from the Federal Govern-
19 ment under the Robert T. Stafford Dis-
20 aster Relief and Emergency Assistance Act
21 by reason of Hurricane Katrina.”.

22 (b) EXEMPTION OF DISTRIBUTIONS FROM TRUSTEE
23 TO TRUSTEE TRANSFER AND WITHHOLDING RULES.—
24 Paragraph (4) of section 402(c) of such Code (relating
25 to eligible rollover distribution) is amended by striking



1 “and” at the end of subparagraph (B), by striking the
2 period at the end of subparagraph (C) and inserting “,
3 and”, and by inserting at the end the following new sub-
4 paragraph:

5 “(D) any qualified disaster-relief distribu-
6 tion (within the meaning of section
7 72(t)(2)(G)).”.

8 (c) CONFORMING AMENDMENTS.—

9 (1) Section 401(k)(2)(B)(i) of such Code is
10 amended by striking “or” at the end of subclause
11 (III), by striking “and” at the end of subclause (IV)
12 and inserting “or”, and by inserting after subclause
13 (IV) the following new subclause:

14 “(V) the date on which a period
15 referred to in section
16 72(t)(2)(G)(iii)(II) begins (but only to
17 the extent provided in section
18 72(t)(2)(G)), and”.

19 (2) Section 403(b)(7)(A)(ii) of such Code is
20 amended by inserting “sustains a loss as a result of
21 a major disaster declared under section 401 of the
22 Robert T. Stafford Disaster Relief and Emergency
23 Assistance Act by reason of Hurricane Katrina (but
24 only to the extent provided in section 72(t)(2)(G)),”
25 before “or”.



1 (3) Section 403(b)(11) of such Code is amend-
2 ed by striking “or” at the end of subparagraph (A),
3 by striking the period at the end of subparagraph
4 (B) and inserting “, or”, and by inserting after sub-
5 paragraph (B) the following new subparagraph:

6 “(C) for distributions to which section
7 72(t)(2)(G) applies.”.

8 (d) **EFFECTIVE DATE.**—The amendments made by
9 this section shall apply to distributions received after Au-
10 gust 28, 2005.

11 **SEC. 202. INCOME AVERAGING FOR DISASTER-RELIEF DIS-**
12 **TRIBUTIONS RELATED TO HURRICANE**
13 **KATRINA.**

14 (a) **IN GENERAL.**—In the case of any qualified dis-
15 aster-relief distribution (within the meaning of section
16 72(t)(2)(G) of the Internal Revenue Code of 1986) from
17 a qualified retirement plan (as defined in section 4974(c)
18 of such Code) to a qualified individual, unless the taxpayer
19 elects not to have this section apply for any taxable year,
20 any amount required to be included in gross income for
21 such taxable year shall be so included ratably over the 3-
22 taxable year period beginning with such taxable year.

23 (b) **SPECIAL RULES.**—

24 (1) **APPLICATION TO GOVERNMENTAL SECTION**
25 457 **PLANS.**—In determining whether any distribu-

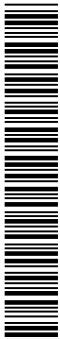


1 tion is a qualified disaster-relief distribution (as so
2 defined) for purposes of this section, an eligible de-
3 ferred compensation plan (as defined in section
4 457(b) of such Code) maintained by an employer de-
5 scribed in section 457(e)(1)(A) of such Code shall be
6 treated as a qualified retirement plan (as so defined)

7 (2) CERTAIN RULES TO APPLY.—Rules similar
8 to the rules of subparagraph (E) of section
9 408A(d)(3) of such Code shall apply for purposes of
10 this section.

11 (c) QUALIFIED INDIVIDUAL.—For purposes of this
12 section, the term “qualified individual” means an indi-
13 vidual who has sustained a loss as a result of the major
14 disaster declared under section 401 of the Robert T. Staf-
15 ford Disaster Relief and Emergency Assistance Act (42
16 U.S.C. 5170) by reason of Hurricane Katrina and who
17 has a principal place of abode immediately before the dec-
18 laration in a Hurricane Katrina disaster area.

19 (d) HURRICANE KATRINA DISASTER AREA.—For
20 purposes of this section, the term “Hurricane Katrina dis-
21 aster area” means any area which is determined by the
22 President to warrant individual or individual and public
23 assistance from the Federal Government under the Robert
24 T. Stafford Disaster Relief and Emergency Assistance Act
25 by reason of Hurricane Katrina.



1 **SEC. 203. RECONTRIBUTIONS OF WITHDRAWALS FOR HOME**
2 **PURCHASES CANCELLED DUE TO HURRI-**
3 **CANE KATRINA.**

4 (a) RECONTRIBUTIONS.—

5 (1) IN GENERAL.—Any individual who received
6 a qualified distribution may, at any time during the
7 6-month period beginning on the day after the dis-
8 aster declaration date, make one or more contribu-
9 tions in an aggregate amount not to exceed the
10 amount of such qualified distribution to an eligible
11 retirement plan (as defined in section 402(c)(8)(B)
12 of the Internal Revenue Code of 1986) of which such
13 individual is a beneficiary and to which a rollover
14 contribution of such distribution could be made
15 under section 402(c), 403(a)(4), 403(b)(8),
16 408(d)(3), or 457(e)(16) of such Code, as the case
17 may be.

18 (2) TREATMENT OF REPAYMENTS.—

19 (A) TREATMENT OF REPAYMENTS FOR
20 DISTRIBUTIONS FROM ELIGIBLE RETIREMENT
21 PLANS OTHER THAN IRAS.—For purposes of
22 the Internal Revenue Code of 1986, if a con-
23 tribution is made pursuant to paragraph (1)
24 with respect to a qualified distribution from an
25 eligible retirement plan (as so defined) other
26 than an individual retirement plan (as defined



1 in section 7701(a)(37) of such Code), then the
2 taxpayer shall, to the extent of the amount of
3 the contribution, be treated as having received
4 the qualified distribution in an eligible rollover
5 distribution (as defined in section 402(c)(4) of
6 such Code) and as having transferred the
7 amount to the eligible retirement plan in a di-
8 rect trustee to trustee transfer within 60 days
9 of the distribution.

10 (B) TREATMENT OF REPAYMENTS FOR
11 DISTRIBUTIONS FROM IRAS.—For purposes of
12 the Internal Revenue Code of 1986, if a con-
13 tribution is made pursuant to paragraph (1)
14 with respect to a qualified distribution from an
15 individual retirement plan (as so defined), then,
16 to the extent of the amount of the contribution,
17 the qualified distribution shall be treated as a
18 distribution described in section 408(d)(3) of
19 such Code and as having been transferred to
20 the eligible retirement plan (as so defined) in a
21 direct trustee to trustee transfer within 60 days
22 of the distribution.

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

24 (1) QUALIFIED DISTRIBUTION.—The term
25 “qualified distribution” means any distribution—



1 (A) described in section
2 401(k)(2)(B)(i)(IV), 403(b)(7)(A)(ii),
3 403(b)(11)(B), 457(d)(1)(A)(iii), or 72(t)(2)(F)
4 of the Internal Revenue Code of 1986,

5 (B) received after February 28, 2005, and
6 before August 29, 2005, and

7 (C) which was to be used to purchase or
8 construct a principal residence in a Hurricane
9 Katrina disaster area, but which was not so
10 purchased or constructed.

11 (2) DISASTER DECLARATION DATE.—The term
12 “disaster declaration date” means the date on which
13 the President designated the area as a Hurricane
14 Katrina disaster area.

15 (3) HURRICANE KATRINA DISASTER AREA.—
16 The term “Hurricane Katrina disaster area” means
17 any area which is determined by the President to
18 warrant individual or individual and public assist-
19 ance from the Federal Government under the Robert
20 T. Stafford Disaster Relief and Emergency Assist-
21 ance Act by reason of Hurricane Katrina.

22 **SEC. 204. LOANS FROM QUALIFIED PLANS IN CONNECTION**
23 **WITH HURRICANE KATRINA.**

24 (a) INCREASE IN LIMIT ON LOANS NOT TREATED AS
25 DISTRIBUTIONS.—In the case of any loan from a qualified



1 employer plan (as defined under section 72(p)(4) of the
2 Internal Revenue Code of 1986) to a qualified individual
3 (as defined in section 202(c)) made after the date of en-
4 actment of this Act and before the date which is 1 year
5 after the disaster declaration date (as defined in section
6 203(b)(2))—

7 (1) clause (i) of section 72(p)(2)(A) of such
8 Code shall be applied by substituting “\$100,000”
9 for “\$50,000”, and

10 (2) clause (ii) of such section shall be applied
11 by substituting “the present value of the nonforfeit-
12 able accrued benefit of the employee under the plan”
13 for “one-half of the present value of the nonforfeit-
14 able accrued benefit of the employee under the
15 plan”.

16 (b) DELAY OF REPAYMENT.—In the case of a quali-
17 fied individual (as defined in section 202(c)) with an out-
18 standing loan on or after August 26, 2005, from a quali-
19 fied employer plan (as defined in section 72(p)(4) of the
20 Internal Revenue Code of 1986)—

21 (1) if the due date pursuant to subparagraph
22 (B) or (C) of section 72(p)(2) of such Code for any
23 repayment with respect to such loan occurs during
24 the period beginning after August 29, 2005, and



1 ending before August 30, 2006, such due date shall
2 be delayed for 1 year,

3 (2) any subsequent repayments with respect to
4 any such loan shall be appropriately adjusted to re-
5 flect the delay in the due date under paragraph (1)
6 and any interest accruing during such delay, and

7 (3) in determining the 5-year period and the
8 term of a loan under subparagraph (B) or (C) of
9 section 72(p)(2) of such Code, such period shall be
10 disregarded.

11 **SEC. 205. PROVISIONS RELATING TO PLAN AMENDMENTS.**

12 (a) IN GENERAL.—If this section applies to any plan
13 or contract amendment—

14 (1) such plan or contract shall be treated as
15 being operated in accordance with the terms of the
16 plan during the period described in subsection
17 (b)(2)(A), and

18 (2) except as provided by the Secretary of the
19 Treasury, such plan shall not fail to meet the re-
20 quirements of section 411(d)(6) of the Internal Rev-
21 enue Code of 1986 and section 204(g) of the Em-
22 ployee Retirement Income Security Act of 1974 by
23 reason of such amendment.

24 (b) AMENDMENTS TO WHICH SECTION APPLIES.—



1 (1) IN GENERAL.—This section shall apply to
2 any amendment to any plan or annuity contract
3 which is made—

4 (A) pursuant to any amendment made by
5 this title, or pursuant to any regulation issued
6 by the Secretary of the Treasury or the Sec-
7 retary of Labor under this title, and

8 (B) on or before the last day of the first
9 plan year beginning on or after January 1,
10 2007, or such later date as the Secretary of the
11 Treasury may prescribe.

12 In the case of a governmental plan (as defined in
13 section 414(d) of the Internal Revenue Code of
14 1986), subparagraph (B) shall be applied by sub-
15 stituting the date which is 2 years after the date
16 otherwise applied under subparagraph (B).

17 (2) CONDITIONS.—This section shall not apply
18 to any amendment unless—

19 (A) during the period—

20 (i) beginning on the date the legisla-
21 tive or regulatory amendment described in
22 paragraph (1)(A) takes effect (or in the
23 case of a plan or contract amendment not
24 required by such legislative or regulatory



1 amendment, the effective date specified by
2 the plan), and
3 (ii) ending on the date described in
4 paragraph (1)(B) (or, if earlier, the date
5 the plan or contract amendment is adopt-
6 ed),
7 the plan or contract is operated as if such plan
8 or contract amendment were in effect; and
9 (B) such plan or contract amendment ap-
10 plies retroactively for such period.

