

SA 1728. Mr. FRIST (for Mr. GRASSLEY (for himself and Mr. BAUCUS)) proposed an amendment to the bill H.R. 3768, to provide emergency tax relief for persons affected by Hurricane Katrina; as follows:

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE; AMENDMENT OF 1986 CODE; TABLE OF CONTENTS.

(a) *Short Title.*--This Act may be cited as the ``Hurricane Katrina Tax Relief 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 for this Act is as follows:

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

Sec..2..Hurricane Katrina disaster area.

TITLE I--PENALTY FREE USE OF RETIREMENT FUNDS IN THE CASE OF NATURAL DISASTERS

Sec..101..Penalty free withdrawals from retirement plans for victims of federally declared natural disasters.

Sec..102..Income averaging for disaster-relief distributions related to Hurricane Katrina.

Sec..103..Recontributions of withdrawals for home purchases cancelled due to Hurricane Katrina.

Sec..104..Loans from qualified plans to victims of Hurricane Katrina.

Sec..105..Provisions relating to plan amendments.

TITLE II--EMPLOYMENT RELIEF

Sec..201..Work opportunity tax credit for Hurricane Katrina employee survivors.

Sec..202..Employee retention credit for employers affected by Hurricane Katrina.

TITLE III--CHARITABLE GIVING INCENTIVES

Sec..301..Temporary suspension of limitations on charitable contributions.

Sec..302..Charitable deduction for contributions of food inventories.

Sec..303..Charitable deduction for contributions of book inventories.

Sec..304..Additional exemption for housing Hurricane Katrina displaced individuals.

Sec..305..Increase in standard mileage rate for charitable use of passenger automobile.

Sec..306..Mileage reimbursements to charitable volunteers excluded from gross income.

TITLE IV--ADDITIONAL TAX RELIEF PROVISIONS

Sec..401..Exclusions of certain cancellations of indebtedness for victims of Hurricane Katrina.

Sec..402..Suspension of certain limitations on personal casualty losses.

Sec..403..Required exercise of authority under section 7508A for tax relief for victims of Hurricane Katrina.

Sec..404..Special mortgage financing rules for residences located in Hurricane Katrina disaster area.

Sec..405..Extension of replacement period for nonrecognition of gain for property located in Hurricane Katrina disaster area.

Sec..406..Special rule for determining earned income.

Sec..407..Secretarial authority to make adjustments regarding taxpayer and dependency status.

TITLE V--EMERGENCY REQUIREMENT

Sec..501..Emergency requirement.

SEC. 2. HURRICANE KATRINA DISASTER AREA.

For purposes of this Act, the term "Hurricane Katrina disaster area" means an area--

(1) with respect to which a major disaster has been declared by the President before September 14, 2005, under section 401 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act in connection with Hurricane Katrina, and

(2) which--

(A) except as provided in subparagraph (B), is determined by the President before such date to warrant assistance from the Federal Government under such Act, and

(B) in the case of sections 201 and 202, is determined by the President before such date to warrant individual assistance, or individual and public assistance, from the Federal Government under such Act.

TITLE I--PENALTY FREE USE OF RETIREMENT FUNDS IN THE CASE OF NATURAL DISASTERS

SEC. 101. PENALTY FREE WITHDRAWALS FROM RETIREMENT PLANS FOR VICTIMS OF FEDERALLY DECLARED NATURAL DISASTERS.

(a) *In General.*--Paragraph (2) of section 72(t) (relating to 10-percent additional tax on early distributions from qualified retirement plans) is amended by adding at the end the following new subparagraph:

**“(G) DISTRIBUTIONS FROM RETIREMENT PLANS TO VICTIMS OF
FEDERALLY DECLARED NATURAL DISASTERS.--**

“(i) DISTRIBUTION ALLOWED.--Any qualified disaster-relief distribution.

“(ii) AMOUNT DISTRIBUTED MAY BE REPAID.--

“(I) IN GENERAL.--Any individual who receives a qualified disaster-relief distribution may, at any time during the 3-year period beginning on the day after the date on which such distribution was made, make one or more contributions in an aggregate amount not to exceed the amount of such distribution to an eligible retirement plan (as defined in section 402(c)(8)(B)) of which such individual is a beneficiary and to which a rollover contribution of such distribution could be made under section 402(c), 403(a)(4), 403(b)(8), 408(d)(3), or 457(e)(16), as the case may be.

**“(II) TREATMENT OF REPAYMENTS FOR DISTRIBUTIONS FROM
ELIGIBLE RETIREMENT PLANS OTHER THAN IRAS.--**For purposes of this title, if a contribution is made pursuant to subclause (I) with respect to a qualified disaster-relief distribution from an eligible retirement plan (as so defined) other than an individual retirement plan, then the taxpayer shall, to the extent of the amount of the contribution, be treated as having received the qualified disaster-relief distribution in an eligible rollover distribution (as defined in section 402(c)(4)) and as having transferred the amount to the eligible retirement plan in a direct trustee to trustee transfer within 60 days of the distribution.

``(III) TREATMENT OF REPAYMENTS FOR DISTRIBUTIONS FROM IRAS.--For purposes of this title, if a contribution is made pursuant to subclause (I) with respect to a qualified disaster-relief distribution from an individual retirement plan, then, to the extent of the amount of the contribution, the qualified disaster-relief 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.

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``(IV) APPLICATION TO GOVERNMENTAL SECTION 457 PLANS.--In determining whether any distribution is a qualified disaster-relief distribution for purposes of this clause, an eligible deferred compensation plan (as defined in section 457(b)) maintained by an employer described in section 457(e)(1)(A) shall be treated as a qualified retirement plan.

``(iii) QUALIFIED DISASTER-RELIEF DISTRIBUTION.--Except as provided in clause (iv), for purposes of this subparagraph, the term 'qualified disaster-relief distribution' means any distribution--

``(I) to an individual who has sustained a loss as a result of a major disaster declared under section 401 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act and who has a principal place of abode immediately before the declaration in a qualified disaster area, and

``(II) which is made during the 1-year period beginning on the date such declaration is made.

``(iv) DOLLAR LIMITATION.--

``(I) IN GENERAL.--The term 'qualified disaster-relief distribution' shall not include any distributions for any taxable year to the extent the aggregate amount of such distributions exceeds \$100,000, reduced by the aggregate amounts treated as qualified disaster-relief distributions with respect to such individual for all prior taxable years.

``(II) TREATMENT OF PLAN DISTRIBUTIONS.--If a distribution to an individual with respect to any such major disaster would (without regard to subclause (I)) be a qualified disaster-relief distribution, a plan shall not be treated as violating any requirement of this title merely because it treats such distribution as a qualified disaster-relief 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.

``(v) QUALIFIED DISASTER AREA.--For purposes of this subparagraph, the term 'qualified disaster area' means an area--

“(I) with respect to which a major disaster has been declared by the President before September 14, 2005, under section 401 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act in connection with Hurricane Katrina, and

“(II) which is determined by the President before such date to warrant assistance from the Federal Government under such Act.”.

(b) Exemption of Distributions From Trustee to Trustee Transfer and Withholding Rules.--Paragraph (4) of section 402(c) (relating to eligible rollover distribution) is amended by striking “and” at the end of subparagraph (B), by striking the period at the end of subparagraph (C) and inserting “, and”, and by inserting at the end the following new subparagraph:

“(D) any qualified disaster-relief distribution (within the meaning of section 72(t)(2)(G)).”.

(c) Conforming Amendments.--

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

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

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

(3) Section 403(b)(11) is amended by striking “or” at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting “, or”, and by inserting after subparagraph (B) the following new subparagraph:

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

(4) Section 457(d)(1)(A) is amended by striking “or” at the end of clause (ii), by adding “or” at the end of clause (iii), and by adding at the end the following new clause:

“(iv) in the case of an eligible deferred compensation plan established and maintained by an employer described in subsection (e)(1)(A), when the participant sustains a loss as a result of a major disaster declared under section 401 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act by reason of Hurricane Katrina (but only to the extent provided in section 72(t)(2)(G)).”.

(d) *Effective Date.*--The amendments made by this section shall apply to distributions received after August 28, 2005.

SEC. 102. INCOME AVERAGING FOR DISASTER-RELIEF DISTRIBUTIONS RELATED TO HURRICANE KATRINA.

(a) *In General.*--In the case of any qualified disaster-relief distribution (within the meaning of section 72(t)(2)(G) of the Internal Revenue Code of 1986) from a qualified retirement plan (as defined in section 4974(c) of such Code) to a qualified individual, unless the taxpayer elects not to have this section 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 Rules.*--

(1) **APPLICATION TO GOVERNMENTAL SECTION 457 PLANS.**--In determining whether any distribution is a qualified disaster-relief distribution (as so defined) for purposes of this section, an eligible deferred compensation plan (as defined in section 457(b) of such Code) maintained by an employer described in section 457(e)(1)(A) of such Code shall be treated as a qualified retirement plan (as so defined)

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

(c) *Qualified Individual.*--For purposes of this section, the term "qualified individual" means an individual who has sustained a loss as a result of the major disaster declared under section 401 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5170) in connection with Hurricane Katrina and who has a principal place of abode immediately before the declaration in a Hurricane Katrina disaster area.

SEC. 103. RECONTRIBUTIONS OF WITHDRAWALS FOR HOME PURCHASES CANCELLED DUE TO HURRICANE KATRINA.

(a) *Recontributions.*--

(1) **IN GENERAL.**--Any individual who received a qualified distribution may, at any time during the 6-month period beginning on the day after the disaster declaration date, make one or more contributions in an aggregate amount not to exceed the amount of such qualified distribution to an eligible retirement plan (as defined in section 402(c)(8)(B) of the Internal Revenue Code of 1986) of which such individual is a beneficiary and to which a rollover contribution of such distribution could be made under section 402(c), 403(a)(4), 403(b)(8), or 408(d)(3) of such Code, as the case may be.

(2) **TREATMENT OF REPAYMENTS.**--

(A) TREATMENT OF REPAYMENTS FOR DISTRIBUTIONS FROM ELIGIBLE RETIREMENT PLANS OTHER THAN IRAS.--For purposes of the Internal Revenue Code of 1986, if a contribution is made pursuant to paragraph (1) with respect to a qualified distribution from an eligible retirement plan (as so defined) other than an individual retirement plan (as defined in section 7701(a)(37) of such Code), then the taxpayer shall, to the extent of the amount of the contribution, be treated as having received the qualified distribution in an eligible rollover distribution (as defined in section 402(c)(4) of such Code) and as having transferred the amount to the eligible retirement plan in a direct trustee to trustee transfer within 60 days of the distribution.

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

(b) *Definitions.*--For purposes of this section--

(1) **QUALIFIED DISTRIBUTION.**--The term "qualified distribution" means any distribution--

(A) 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) of the Internal Revenue Code of 1986,

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

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

(2) **DISASTER DECLARATION DATE.**--The term "disaster declaration date" means the date on which the President designated the area as a Hurricane Katrina disaster area.

SEC. 104. LOANS FROM QUALIFIED PLANS TO VICTIMS OF HURRICANE KATRINA.

(a) *Increase in Limit on Loans Not Treated as Distributions.*--In the case of any loan from a qualified employer plan (as defined under section 72(p)(4) of the Internal Revenue Code of 1986) to a qualified individual (as defined in section 102(c)) made after the date of enactment of this Act and before the date which is 1 year after the disaster declaration date (as defined in section 103(b)(2))--

(1) clause (i) of section 72(p)(2)(A) of such Code shall be applied by substituting ``\$100,000" for ``\$50,000", and

(2) clause (ii) of such section shall be applied by substituting ``the present value of the nonforfeitable accrued benefit of the employee under the plan" for ``one-half of the present value of the nonforfeitable accrued benefit of the employee under the plan".

(b) *Delay of Repayment.*--In the case of a qualified individual (as defined in section 102(c)) with an outstanding loan on or after August 26, 2005, from a qualified employer plan (as defined in section 72(p)(4) of the Internal Revenue Code of 1986)--

(1) if the due date pursuant to subparagraph (B) or (C) of section 72(p)(2) of such Code for any repayment with respect to such loan occurs during the period beginning after August 29, 2005, and ending before August 30, 2006, such due date shall be delayed for 1 year,

(2) 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

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

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SEC. 105. PROVISIONS RELATING TO PLAN AMENDMENTS.

(a) *In General.*--If this section applies to any plan or contract amendment such plan or contract shall be treated as being operated in accordance with the terms of the plan during the period described in subsection (b)(2)(A).

(b) *Amendments to Which Section Applies.*--

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

(A) pursuant to any amendment made by this title, or pursuant to any regulation issued by the Secretary of the Treasury or the Secretary of Labor under this title, and

(B) 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 of the Treasury may prescribe.

In the case of a governmental plan (as defined in section 414(d) of the Internal Revenue Code of 1986), subparagraph (B) shall be applied by substituting the date which is 2 years after the date otherwise applied under subparagraph (B).

(2) **CONDITIONS.**--This section shall not apply to any amendment unless--

(A) during the period--

(i) beginning on the date the legislative or regulatory amendment described in paragraph (1)(A) takes effect (or in the case of a plan or contract amendment not required by such legislative or regulatory amendment, the effective date specified by the plan), and

(ii) ending on the date described in paragraph (1)(B) (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

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

TITLE II--EMPLOYMENT RELIEF

SEC. 201. WORK OPPORTUNITY TAX CREDIT FOR HURRICANE KATRINA EMPLOYEE SURVIVORS.

(a) *In General.*--For purposes of section 51 of the Internal Revenue Code of 1986, a Hurricane Katrina employee survivor shall be treated as a member of a targeted group.

(b) *Hurricane Katrina Employee Survivor.*--For purposes of this section, the term "Hurricane Katrina employee survivor" means any individual who is certified as an individual who--

(1) on August 28, 2005, had a principal place of abode in a Hurricane Katrina disaster area, and

(2) became unemployed as a result of Hurricane Katrina.

(c) *Special Rules for Determining Credit.*--For purposes of applying subpart F of part IV of subchapter A of chapter 1 of such Code to wages paid or incurred to any Hurricane Katrina employee survivor--

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

(2) notwithstanding section 51(d)(12) of such Code, the certification under subsection (b) shall be made in such manner and at such time as determined by the Secretary of the Treasury, except that the certification shall be made by a person other than the such employee survivor or the employer (within the meaning of section 51 of such Code), and

(3) section 51(i)(2) of such Code shall not apply with respect to the first hire of such employee survivor, unless such employee survivor was an employee of the employer on August 28, 2005.

(d) *Application of Section.*--This section shall apply to wages (within the meaning on section 51(c) of such Code) paid or incurred to any individual who begins work--

(1) for an employer during the 6-month period beginning on August 29, 2005, or

(2) in the case of an individual who is being hired for a position the principal place of employment of which is located in a Hurricane Katrina disaster area, for any employer during the 2-year period beginning on such date.

SEC. 202. EMPLOYEE RETENTION CREDIT FOR EMPLOYERS AFFECTED BY HURRICANE KATRINA.

(a) *In General.*--In the case of an eligible employer, there shall be allowed as a credit against the tax imposed by chapter 1 of the Internal Revenue Code of 1986 for the taxable year 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.

(b) *Definitions.*--For purposes of this section--

(1) **ELIGIBLE EMPLOYER.**--The term "eligible employer" means any employer--

(A) which conducted an active trade or business on August 28, 2005, in a Hurricane Katrina disaster area, and

(B) with respect to whom the trade or business described in subparagraph (A) is inoperable on any day after August 28, 2005, and before January 1, 2006, as a result of damage sustained in connection with Hurricane Katrina.

(2) **ELIGIBLE EMPLOYEE.**--The term "eligible employee" means with respect to an eligible employer--

(A) an employee whose principal place of employment on August 28, 2005, with such eligible employer was in a Hurricane Katrina disaster area, or

(B) a Ready Reserve-National Guard employee of such eligible employer who is performing qualified active duty and whose principal place of employment immediately before the date on which such employee began performing such qualified active duty was in a Hurricane Katrina disaster area.

(3) **QUALIFIED WAGES.**--The term ``qualified wages" means wages (as defined in section 51(c)(1) of the Internal Revenue Code of 1986, but without regard to section 3306(b)(2)(B) of such Code) paid or incurred by an eligible employer with respect to an eligible employee on any day after August 28, 2005, and before January 1, 2006, which occurs during the period--

(A) beginning on the date on which the trade or business described in paragraph (1) first became inoperable at the principal place of employment of the employee immediately before Hurricane Katrina, and

(B) 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.

(4) **READY RESERVE-NATIONAL GUARD EMPLOYEE.**--The term ``Ready Reserve-National Guard employee" means an employee who is a member of the Ready Reserve of a reserve component of an Armed Force of the United States as described in section 10142 and 10101 of title 10, United States Code and who is performing qualified active duty.

(5) **QUALIFIED ACTIVE DUTY.**--The term ``qualified active duty" means--

(A) active duty, other than the training duty specified in section 10147 of title 10, United States Code (relating to training requirements for Ready Reserve), or section 502(a) of title 32, United States Code (relating to required drills and field exercises for the National Guard), in connection with which an employee is entitled to reemployment rights and other benefits or to a leave of absence from employment under chapter 43 of title 38, United States Code, and

(B) hospitalization incident to such duty.

(c) *Certain Rules to Apply.*--For purposes of this section, rules similar to the rules of sections 51(i)(1), 52, and 280C(a) of the Internal Revenue Code of 1986 of the shall apply.

(d) *Credit to Be Part of General Business Credit.*--The credit allowed under this section shall be added to the current year business credit under section 38(b) of the Internal Revenue Code of 1986 and shall be treated as a credit allowed under subpart D of part IV of subchapter A of chapter 1 of such Code.

TITLE III--CHARITABLE GIVING INCENTIVES

SEC. 301. TEMPORARY SUSPENSION OF LIMITATIONS ON CHARITABLE CONTRIBUTIONS.

(a) *In General.*--Except as otherwise provided in subsection (b), section 170(b) of the Internal Revenue Code of 1986 shall not apply to qualified contributions and such contributions shall not be taken into account for purposes of subsections (b) and (d) of section 170 of the Internal Revenue Code of 1986.

(b) *Treatment of Excess Contributions.*--For purposes of section 170 of such Code--

(1) **INDIVIDUALS.**--In the case of an individual--

(A) **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 paragraph (1) of section 170(b) of such Code) over the amount of all other charitable contributions allowed under such paragraph.

(B) **CARRYOVER.**--If the aggregate amount of qualified contributions made in the contribution year (within the meaning of section 170(d)(1) of such Code) exceeds the limitation of subparagraph (A), such excess shall be added to the excess described in the portion of subparagraph (A) of such section which precedes clause (i) thereof for purposes of applying such section.

(2) **CORPORATIONS.**--In the case of a corporation--

(A) **LIMITATION.**--Any qualified contribution shall be allowed only to the extent that the aggregate of such contributions does not exceed the excess of the taxpayer's taxable income (as determined under paragraph (2) of section 170(b) of such Code) over the amount of all other charitable contributions allowed under such paragraph.

(B) **CARRYOVER.**--Rules similar to the rules of paragraph (1)(B) shall apply for purposes of this paragraph.

(c) *Exception to Overall Limitation on Itemized Deductions.*--So much of any deduction allowed under section 170 of such Code as does not exceed the qualified contributions made during the taxable year shall not be treated as an itemized deduction for purposes of section 68 of such Code.

(d) *Qualified Contributions.*--For purposes of this section, the term "qualified contribution" means any charitable contribution (as defined in section 170(c) of such Code)--

(1) made 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) of such Code (other than an organization described in section 509(a)(3) of such Code), and

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

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

For purposes of subsection (b)(2), a contribution shall be treated as a qualified contribution only if the contribution is for relief efforts related to Hurricane Katrina.

SEC. 302. CHARITABLE DEDUCTION FOR CONTRIBUTIONS OF FOOD INVENTORIES.

(a) *In General.*--Subsection (e) of section 170 (relating to certain contributions of ordinary income and capital gain property) is amended by adding at the end the following new paragraph:

“(7) APPLICATION OF PARAGRAPH (3) TO CERTAIN CONTRIBUTIONS OF FOOD INVENTORY.--For purposes of this section--

“(A) EXTENSION TO INDIVIDUALS.--In the case of a charitable contribution of apparently wholesome food--

“(i) paragraph (3)(A) shall be applied without regard to whether the contribution is made by a C corporation, and

“(ii) in the case of a taxpayer other than a C corporation, the aggregate amount of such contributions for any taxable year which may be taken into account under this section shall not exceed 10 percent of the taxpayer's net income for such taxable year from all trades or businesses from which such contributions were made for such taxable year, computed without regard to this section.

“(B) LIMITATION ON REDUCTION.--In the case of a charitable contribution of apparently wholesome food, notwithstanding paragraph (3)(B), the amount of the reduction determined under paragraph (1)(A) shall not exceed the amount by which the fair market value of such property exceeds twice the basis of such property.

“(C) DETERMINATION OF BASIS.--If a taxpayer--

“(i) does not account for inventories under section 471, and

“(ii) is not required to capitalize indirect costs under section 263A,

the taxpayer may elect, solely for purposes of paragraph (3)(B), to treat the basis of any apparently wholesome food as being equal to 25 percent of the fair market value of such food.

“(D) DETERMINATION OF FAIR MARKET VALUE.--In the case of a charitable contribution of apparently wholesome food which is a qualified contribution (within the meaning of paragraph (3), as modified by subparagraph (A) of this paragraph) and which, solely by reason of internal standards of the taxpayer or lack of market, cannot or will not be sold, the fair market value of such contribution shall be determined-

“(i) without regard to such internal standards or such lack of market and

“(ii) by taking into account the price at which the same or substantially the same food items (as to both type and quality) are sold by the taxpayer at the time of the contribution (or, if not so sold at such time, in the recent past).

“(E) APPARENTLY WHOLESOME FOOD.--For purposes of this paragraph, the term ‘apparently wholesome food’ has the meaning given such term by section 22(b)(2) of the Bill Emerson Good Samaritan Food Donation Act (42 U.S.C. 1791(b)(2)), as in effect on the date of the enactment of this paragraph.

“(F) APPLICATION.--This paragraph shall apply to contributions made after August 28, 2005, and before January 1, 2006.”.

(b) *Effective Date.*--The amendment made by this section shall apply to contributions made after August 28, 2005.

SEC. 303. CHARITABLE DEDUCTION FOR CONTRIBUTIONS OF BOOK INVENTORIES.

(a) *In General.*--Section 170(e)(3) (relating to certain contributions of ordinary income and capital gain property) is amended by redesignating subparagraph (C) as subparagraph (D) and by inserting after subparagraph (B) the following new subparagraph:

“(C) SPECIAL RULE FOR CONTRIBUTIONS OF BOOK INVENTORY FOR EDUCATIONAL PURPOSES.--

“(i) **CONTRIBUTIONS OF BOOK INVENTORY.**--In determining whether a qualified book contribution is a qualified contribution, subparagraph (A) shall be applied without regard to whether--

“(I) the donee is an organization described in the matter preceding clause (i) of subparagraph (A), and

“(II) the property is to be used by the donee solely for the care of the ill, the needy, or infants.

“(ii) **AMOUNT OF REDUCTION.**--Notwithstanding subparagraph (B), the amount of the reduction determined under paragraph (1)(A) shall not exceed the amount by which the fair market value of the contributed property (as determined by the taxpayer using a bona fide published market price for such book) exceeds twice the basis of such property.

“(iii) **QUALIFIED BOOK CONTRIBUTION.**--For purposes of this paragraph, the term ‘qualified book contribution’ means a charitable contribution of books, but only if the requirements of clauses (iv) and (v) are met.

“(iv) **IDENTITY OF DONEE.**--The requirement of this clause is met if the contribution is to an organization--

“(I) described in subclause (I) or (III) of paragraph (6)(B)(i), or

“(II) described in section 501(c)(3) and exempt from tax under section 501(a) (other than a private foundation, as defined in section 509(a), which is not an operating foundation, as defined in section 4942(j)(3)), which is organized primarily to make books available to the general public at no cost or to operate a literacy program.

“(v) **CERTIFICATION BY DONEE.**--The requirement of this clause is met if, in addition to the certifications required by subparagraph (A) (as modified by this subparagraph), the donee certifies in writing that--

“(I) the books are suitable, in terms of currency, content, and quantity, for use in the donee’s educational programs, and

“(II) the donee will use the books in its educational programs.

“(vi) **BONA FIDE PUBLISHED MARKET PRICE.**--For purposes of this subparagraph, the term ‘bona fide published market price’ means, with respect to any book, a price--

“(I) determined using the same printing and edition,

“(II) determined in the usual market in which such a book has been customarily sold by the taxpayer, and

“(III) for which the taxpayer can demonstrate to the satisfaction of the Secretary that the taxpayer customarily sold such books in arm’s length transactions within 7 years preceding the contribution of such a book.

“(vii) **APPLICATION.**--This subparagraph shall apply to contributions made after August 28, 2005, and before January 1, 2006.”.

(b) *Effective Date.*--The amendments made by this section shall apply to contributions made after August 28, 2005.

SEC. 304. ADDITIONAL EXEMPTION FOR HOUSING HURRICANE KATRINA DISPLACED INDIVIDUALS.

(a) *In General.*--In the case of taxable years of a natural person beginning in 2005 and 2006, for purposes of the Internal Revenue Code of 1986, taxable income shall be reduced by \$500 for each Hurricane Katrina displaced individual of the taxpayer for the taxable year.

(b) *Limitations.*--

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

(2) **INDIVIDUALS TAKEN INTO ACCOUNT ONLY ONCE.**--An individual shall not be taken into account under subsection (a) if such individual was taken into account under such subsection by the taxpayer in any prior taxable year.

(c) *Hurricane Katrina Displaced Individual.*--For purposes of this subsection, the term “Hurricane Katrina displaced individual” means, with respect to any taxpayer for any taxable year, a natural person who--

(1) was (as of August 28, 2005) a resident of any Hurricane Katrina disaster area,

(2) is displaced from the person's residence located in the area described in paragraph (1), and

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

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

SEC. 305. INCREASE IN STANDARD MILEAGE RATE FOR CHARITABLE USE OF PASSENGER AUTOMOBILE.

Notwithstanding section 170(i) of the Internal Revenue Code of 1986, for purposes of computing the deduction under section 170 of such Code for use of a vehicle described in subsection (f)(12)(E)(i) for provision of relief related to Hurricane Katrina for the period beginning on August 29, 2005, and ending before January 1, 2007, the standard mileage rate shall be 70 percent of the standard mileage rate in effect under section 162(a) of such

Code at the time of such use. Any increase under this section shall be rounded to the next highest cent.

SEC. 306. MILEAGE REIMBURSEMENTS TO CHARITABLE VOLUNTEERS EXCLUDED FROM GROSS INCOME.

(a) *In General.*--Part III of subchapter B of chapter 1 is amended by inserting after section 139A the following new section:

SEC. 139B. MILEAGE REIMBURSEMENTS TO CHARITABLE VOLUNTEERS.

(a) *In General.*--Gross income of an individual does not include amounts received, from an organization described in section 170(c), as reimbursement of operating expenses with respect to use of a passenger automobile for the benefit of such organization. The preceding sentence shall apply only to the extent that the expenses which are reimbursed would be deductible under this chapter if section 274(d) were applied--

(1) by using the standard business mileage rate established under such section, and

(2) as if the individual were an employee of an organization not described in section 170(c).

(b) *Application to Volunteer Services Only.*--Subsection (a) shall not apply with respect to any expenses relating to the performance of services for compensation.

(c) *No Double Benefit.*--A taxpayer may not claim a deduction or credit under any other provision of this title with respect to the expenses under subsection (a).

(d) *Exemption From Reporting Requirements.*--Section 6041 shall not apply with respect to reimbursements excluded from income under subsection (a).

(e) *Termination.*--This section shall not apply to use of a passenger automobile after December 31, 2006."

(b) *Clerical Amendment.*--The table of sections for part III of subchapter B of chapter 1 is amended by inserting after the item

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relating to section 139A the following new item:

"Sec..139B..Mileage reimbursements to charitable volunteers".

(c) *Effective Date.*--The amendments made by this section shall apply to the use of a passenger automobile after the date of the enactment of this Act, in taxable years ending after such date.

TITLE IV--ADDITIONAL TAX RELIEF PROVISIONS

SEC. 401. EXCLUSIONS OF CERTAIN CANCELLATIONS OF INDEBTEDNESS FOR VICTIMS OF HURRICANE KATRINA.

(a) *In General.*--For purposes of the Internal Revenue Code of 1986, gross income shall not include any amount which (but for this section) would be includible in gross income by reason of the discharge (in whole or in part) of indebtedness of a natural person by an applicable entity (as defined in section 6050P(c)(1)) if the discharge is by reason of the damage sustained by the taxpayer in connection with Hurricane Katrina.

(b) *Exception.*--Subsection (a) shall not apply to any indebtedness incurred in connection with a trade or business.

(c) *Denial of Double Benefit.*--The amount excluded from gross income under subsection (a) shall be applied to reduce the tax attributes of the taxpayer as provided in section 108(b) of such Code.

(d) *Effective Date.*--This section shall apply to discharges made on or after August 29, 2005, and before January 1, 2007.

SEC. 402. SUSPENSION OF CERTAIN LIMITATIONS ON PERSONAL CASUALTY LOSSES.

Paragraphs (1) and (2)(A) of section 165(h) of the Internal Revenue Code of 1986 shall not apply to losses described in section 165(c)(3) of such Code which are attributable to Hurricane Katrina. In the case of any other losses, section 165(h)(2)(A) of such Code shall be applied without regard to the losses referred to in the preceding sentence.

SEC. 403. REQUIRED EXERCISE OF AUTHORITY UNDER SECTION 7508A FOR TAX RELIEF FOR VICTIMS OF HURRICANE KATRINA.

(a) *Authority Includes Suspension of Payment of Employment and Excise Taxes.*--Subparagraphs (A) and (B) of section 7508(a)(1) are amended to read as follows:

“(A) Filing any return of income, estate, gift, employment, or excise tax;

“(B) Payment of any income, estate, gift, employment, or excise tax or any installment thereof or of any other liability to the United States in respect thereof;”.

(b) *Application to Victims of Hurricane Katrina.*--In the case of any taxpayer determined by the Secretary of the Treasury to be affected by the Presidentially declared disaster relating to Hurricane Katrina, any relief provided by the Secretary of the Treasury under section 7508A of the Internal Revenue Code of 1986 shall be for a period

ending not earlier than February 28, 2006, and shall be treated as applying to the filing of returns relating to, and the payment of, employment and excise taxes.

(c) *Effective Date.*--The amendment made by subsection (a) shall apply for any period for performing an act which has not expired before August 29, 2005.

SEC. 404. SPECIAL MORTGAGE FINANCING RULES FOR RESIDENCES LOCATED IN HURRICANE KATRINA DISASTER AREA.

In the case of a residence located in a Hurricane Katrina disaster area which replaces a residence destroyed by Hurricane Katrina or which is being repaired for damage caused by Hurricane Katrina, section 143 of the Internal Revenue Code of 1986 shall be applied with the following modifications to financing provided with respect to such residence within 3 years after the date of the disaster declaration:

(1) Subsections (d) of such section 143 shall be applied as if such residence were a targeted area residence.

(2) The limitation under subsection (k)(4) of such section 143 shall be increased (but not above \$150,000) to the extent the qualified home-improvement loan is for the repair of damage caused by Hurricane Katrina.

This section shall apply only with respect to bonds issued after August 28, 2005, and before August 29, 2008.

SEC. 405. EXTENSION OF REPLACEMENT PERIOD FOR NONRECOGNITION OF GAIN FOR PROPERTY LOCATED IN HURRICANE KATRINA DISASTER AREA.

Notwithstanding subsections (g) and (h) of section 1033 of the Internal Revenue Code of 1986, clause (i) of section 1033(a)(2)(B) of such Code shall be applied by substituting ``5 years" for ``2 years" with respect to property which is compulsorily or involuntarily converted as a result of Hurricane Katrina in a Hurricane Katrina disaster area, but only if substantially all of the use of the replacement property is in such area.

SEC. 406. SPECIAL RULE FOR DETERMINING EARNED INCOME.

(a) *In General.*--In the case of a qualified individual, if the earned income of the taxpayer for the taxable year of such taxpayer which includes August 28, 2005, is less than the earned income which is attributable to the taxpayer for the preceding taxable year, the credits allowed under sections 24(d) and 32 of the Internal Revenue Code of 1986 may, at the election of the taxpayer, be determined by substituting--

(1) such earned income for the preceding taxable year, for

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

(b) *Qualified Individual*.--For purposes of this section, the term "qualified individual" means any individual whose principal place of abode was (as of August 28, 2005) in any Hurricane Katrina disaster area.

(c) *Earned Income*.--For purposes of this section, the term "earned income" has the meaning given such term under section 32(c) of such Code.

(d) *Special Rules*.--

(1) **APPLICATION TO JOINT RETURNS**.--For purpose of subsection (a), in the case of a joint return for a taxable year which includes August 28, 2005,

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

(B) the earned income which is attributable to the taxpayer for the preceding taxable year shall be the sum of the earned income which is attributable to each spouse for such preceding taxable year, and

(C) the substitution described in such subsection shall apply only with respect to earned income which is attributable to a spouse who is a qualified individual.

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

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

(4) **NO EFFECT ON DETERMINATION OF GROSS INCOME**.--For purposes of the Internal Revenue Code of 1986, gross income shall be determined without regard to any substitution under subsection (a).

SEC. 407. SECRETARIAL AUTHORITY TO MAKE ADJUSTMENTS REGARDING TAXPAYER AND DEPENDENCY STATUS.

With respect to taxable years beginning in 2005 or 2006, the Secretary of the Treasury or the Secretary's delegate may make such adjustments in the application of the internal revenue laws as may be necessary to ensure that taxpayers do not lose any deduction or credit or experience a change of filing status by reason of temporary relocations after Hurricane Katrina or by reason of the receipt of hurricane relief. Any adjustments made under the preceding sentence shall ensure that an individual is not taken into account by more than one taxpayer with respect to the same tax benefit.

SEC. 501. EMERGENCY REQUIREMENT.

Any provision of this Act causing an effect on receipts, budget authority, or outlays is designated as an emergency requirement pursuant to section 402 of H. Con. Res. 95 (109th Congress).