

109TH CONGRESS
2^D SESSION

H. R. 5970

AN ACT

To amend the Internal Revenue Code of 1986 to increase the unified credit against the estate tax to an exclusion equivalent of \$5,000,000, to repeal the sunset provision for the estate and generation-skipping taxes, and to extend expiring provisions, and for other purposes.

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, ETC.**

4 (a) **SHORT TITLE.**—This Act may be cited as the
 5 “Estate Tax and Extension of Tax Relief Act of 2006”.

6 (b) **REFERENCE.**—Except as otherwise expressly pro-
 7 vided, whenever in this Act an amendment or repeal is
 8 expressed in terms of an amendment to, or repeal of, a
 9 section or other provision, the reference shall be consid-
 10 ered to be made to a section or other provision of the In-
 11 ternal Revenue Code of 1986.

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

Sec. 1. Short title, etc.

TITLE I—REFORM AND EXTENSION OF ESTATE TAX AFTER 2009

Sec. 101. Reform and extension of estate tax after 2009.

Sec. 102. Unified credit increased by unused unified credit of deceased spouse.

**TITLE II—EXTENSION AND EXPANSION OF CERTAIN TAX RELIEF
 PROVISIONS**

Subtitle A—Extension and Modification of Certain Provisions

Sec. 201. Deduction for qualified tuition and related expenses.

Sec. 202. Extension and modification of new markets tax credit.

Sec. 203. Election to deduct State and local general sales taxes.

Sec. 204. Extension and modification of research credit.

Sec. 205. Work opportunity tax credit and welfare-to-work credit.

Sec. 206. Election to include combat pay as earned income for purposes of
 earned income credit.

Sec. 207. Extension and modification of qualified zone academy bonds.

Sec. 208. Above-the-line deduction for certain expenses of elementary and sec-
 ondary school teachers.

Sec. 209. Extension and expansion of expensing of brownfields remediation
 costs.

Sec. 210. Tax incentives for investment in the District of Columbia.

Sec. 211. Indian employment tax credit.

Sec. 212. Accelerated depreciation for business property on Indian reservations.

- Sec. 213. Fifteen-year straight-line cost recovery for qualified leasehold improvements and qualified restaurant property.
- Sec. 214. Cover over of tax on distilled spirits.
- Sec. 215. Parity in application of certain limits to mental health benefits.
- Sec. 216. Corporate donations of scientific property used for research and of computer technology and equipment.
- Sec. 217. Availability of medical savings accounts.
- Sec. 218. Taxable income limit on percentage depletion for oil and natural gas produced from marginal properties.
- Sec. 219. American Samoa economic development credit.
- Sec. 220. Restructuring of New York Liberty Zone tax credits.
- Sec. 221. Extension of bonus depreciation for certain qualified Gulf Opportunity Zone property.
- Sec. 222. Authority for undercover operations.
- Sec. 223. Disclosures of certain tax return information.

Subtitle B—Other Provisions

- Sec. 231. Deduction allowable with respect to income attributable to domestic production activities in Puerto Rico.
- Sec. 232. Credit for prior year minimum tax liability made refundable after period of years.
- Sec. 233. Returns required in connection with certain options.
- Sec. 234. Partial expensing for advanced mine safety equipment.
- Sec. 235. Mine rescue team training tax credit.
- Sec. 236. Whistleblower reforms.
- Sec. 237. Frivolous tax submissions.
- Sec. 238. Addition of meningococcal and human papillomavirus vaccines to list of taxable vaccines.
- Sec. 239. Clarification of taxation of certain settlement funds made permanent.
- Sec. 240. Modification of active business definition under section 355 made permanent.
- Sec. 241. Revision of State veterans limit made permanent.
- Sec. 242. Capital gains treatment for certain self-created musical works made permanent.
- Sec. 243. Reduction in minimum vessel tonnage which qualifies for tonnage tax made permanent.
- Sec. 244. Modification of special arbitrage rule for certain funds made permanent.
- Sec. 245. Great Lakes domestic shipping to not disqualify vessel from tonnage tax.
- Sec. 246. Use of qualified mortgage bonds to finance residences for veterans without regard to first-time homebuyer requirement.
- Sec. 247. Exclusion of gain from sale of a principal residence by certain employees of the intelligence community.
- Sec. 248. Treatment of coke and coke gas.
- Sec. 249. Sale of property by judicial officers.
- Sec. 250. Premiums for mortgage insurance.
- Sec. 251. Modification of refunds for kerosene used in aviation.
- Sec. 252. Deduction for qualified timber gain.
- Sec. 253. Credit to holders of rural renaissance bonds.
- Sec. 254. Restoration of deduction for travel expenses of spouse, etc. accompanying taxpayer on business travel.
- Sec. 255. Technical corrections.

TITLE III—SURFACE MINING CONTROL AND RECLAMATION ACT
AMENDMENTS OF 2006

Sec. 301. Short title.

Subtitle A—MINING CONTROL AND RECLAMATION

Sec. 311. Abandoned Mine Reclamation Fund and purposes.

Sec. 312. Reclamation fee.

Sec. 313. Objectives of Fund.

Sec. 314. Reclamation of rural land.

Sec. 315. Liens.

Sec. 316. Certification.

Sec. 317. Remining incentives.

Sec. 318. Extension of limitation on application of prohibition on issuance of permit.

Sec. 319. Tribal regulation of surface coal mining and reclamation operations.

Subtitle B—Coal Industry Retiree Health Benefit Act

Sec. 321. Certain related persons and successors in interest relieved of liability if premiums prepaid.

Sec. 322. Transfers to funds; premium relief.

Sec. 323. Other provisions.

TITLE IV—INCREASE IN MINIMUM WAGE

Sec. 401. Minimum Wage.

Sec. 402. Tipped Wage Fairness.

1 **TITLE I—REFORM AND EXTEN-**
2 **SION OF ESTATE TAX AFTER**
3 **2009**

4 **SEC. 101. REFORM AND EXTENSION OF ESTATE TAX AFTER**
5 **2009.**

6 (a) RESTORATION OF UNIFIED CREDIT AGAINST
7 GIFT TAX.—Paragraph (1) of section 2505(a) (relating
8 to general rule for unified credit against gift tax), after
9 the application of subsection (g), is amended by striking
10 “(determined as if the applicable exclusion amount were
11 \$1,000,000)”.

12 (b) EXCLUSION EQUIVALENT OF UNIFIED CREDIT
13 INCREASED TO \$5,000,000.—Subsection (c) of section

1 2010 (relating to unified credit against estate tax) is
2 amended to read as follows:

3 “(c) APPLICABLE CREDIT AMOUNT.—

4 “(1) IN GENERAL.—For purposes of this sec-
5 tion, the applicable credit amount is the amount of
6 the tentative tax which would be determined under
7 the rate schedule set forth in section 2001(c) if the
8 amount with respect to which such tentative tax is
9 to be computed were the applicable exclusion
10 amount.

11 “(2) APPLICABLE EXCLUSION AMOUNT.—

12 “(A) IN GENERAL.—For purposes of this
13 subsection, the applicable exclusion amount is
14 as follows:

15 “(i) For calendar year 2010,
16 \$3,750,000.

17 “(ii) For calendar year 2011,
18 \$4,000,000.

19 “(iii) For calendar year 2012,
20 \$4,250,000.

21 “(iv) For calendar year 2013,
22 \$4,500,000.

23 “(v) For calendar year 2014,
24 \$4,750,000.

1 “(vi) For calendar year 2015 and
2 thereafter, \$5,000,000.

3 “(B) INFLATION ADJUSTMENT.—In the
4 case of any decedent dying in a calendar year
5 after 2015, the \$5,000,000 amount in subpara-
6 graph (A)(vi) shall be increased by an amount
7 equal to—

8 “(i) such dollar amount, multiplied by

9 “(ii) the cost-of-living adjustment de-
10 termined under section 1(f)(3) for such
11 calendar year by substituting ‘calendar
12 year 2014’ for ‘calendar year 1992’ in sub-
13 paragraph (B) thereof.

14 If any amount as adjusted under the preceding
15 sentence is not a multiple of \$100,000, such
16 amount shall be rounded to the nearest multiple
17 of \$100,000.”.

18 (c) RATE SCHEDULE.—

19 (1) IN GENERAL.—Subsection (c) of section
20 2001 (relating to rate schedule) is amended to read
21 as follows:

22 “(c) RATE SCHEDULE.—

23 “(1) IN GENERAL.—The tentative tax is equal
24 to the sum of—

1 “(A) the product of the rate specified in
2 section 1(h)(1)(C) in effect on the date of the
3 decedent’s death multiplied by so much of the
4 sum described in subsection (b)(1) as does not
5 exceed \$25,000,000, and

6 “(B) the applicable percentage effective on
7 the date of the decedent’s death of so much of
8 the sum described in subsection (b)(1) as ex-
9 ceeds \$25,000,000.

10 “(2) APPLICABLE PERCENTAGE.—For purposes
11 of paragraph (1)(B), the applicable percentage is—

12 “(A) in the case the decedent’s death is in
13 2010, 40 percent,

14 “(B) in the case the decedent’s death is in
15 2011, 38 percent,

16 “(C) in the case the decedent’s death is in
17 2012, 36 percent,

18 “(D) in the case the decedent’s death is in
19 2013, 34 percent,

20 “(E) in the case the decedent’s death is in
21 2014, 32 percent, and

22 “(F) in the case the decedent’s death is in
23 2015 or thereafter, 30 percent.

24 “(3) INFLATION ADJUSTMENT.—In the case of
25 any decedent dying in a calendar year after 2015,

1 each \$25,000,000 amount in subparagraphs (A) and
2 (B) of paragraph (1) shall be increased by an
3 amount equal to—

4 “(A) such dollar amount, multiplied by

5 “(B) the cost-of-living adjustment deter-
6 mined under section 1(f)(3) for such calendar
7 year by substituting ‘calendar year 2014’ for
8 ‘calendar year 1992’ in subparagraph (B)
9 thereof.

10 If any amount as adjusted under the preceding sen-
11 tence is not a multiple of \$100,000, such amount
12 shall be rounded to the nearest multiple of
13 \$100,000.”.

14 (2) CONFORMING AMENDMENT.—Section
15 2502(a) (relating to computation of tax), after the
16 application of subsection (g), is amended by adding
17 at the end the following flush sentence:

18 “In computing the tentative tax under section 2001(c) for
19 purposes of this subsection, ‘the last day of the calendar
20 year in which the gift was made’ shall be substituted for
21 ‘the date of the decedent’s death’ each place it appears
22 in such section.”.

23 (d) MODIFICATIONS OF ESTATE AND GIFT TAXES TO
24 REFLECT DIFFERENCES IN UNIFIED CREDIT RESULTING
25 FROM DIFFERENT TAX RATES.—

1 (1) ESTATE TAX.—

2 (A) IN GENERAL.—Section 2001(b)(2) (re-
3 lating to computation of tax) is amended by
4 striking “if the provisions of subsection (e) (as
5 in effect at the decedent’s death)” and inserting
6 “if the modifications described in subsection
7 (g)”.

8 (B) MODIFICATIONS.—Section 2001 is
9 amended by adding at the end the following
10 new subsection:

11 “(g) MODIFICATIONS TO GIFT TAX PAYABLE TO RE-
12 FLECT DIFFERENT TAX RATES.—For purposes of apply-
13 ing subsection (b)(2) with respect to 1 or more gifts, the
14 rates of tax under subsection (e) in effect on the date of
15 the decedent’s death shall, in lieu of the rates of tax in
16 effect at the time of such gifts, be used both to compute—

17 “(1) the tax imposed by chapter 12 with respect
18 to such gifts, and

19 “(2) the credit allowed against such tax under
20 section 2505, including in computing—

21 “(A) the applicable credit amount under
22 section 2505(a)(1), and

23 “(B) the sum of the amounts allowed as a
24 credit for all preceding periods under section
25 2505(a)(2).

1 For purposes of paragraph (2)(A), the applicable
2 credit amount for any calendar year before 1998 is
3 the amount which would be determined under sec-
4 tion 2010(c) if the applicable exclusion amount were
5 the dollar amount under section 6018(a)(1) for such
6 year.”.

7 (2) GIFT TAX.—Section 2505(a) (relating to
8 unified credit against gift tax), after the application
9 of subsection (g), is amended by adding at the end
10 the following new flush sentence:

11 “For purposes of applying paragraph (2) for any calendar
12 year, the rate schedule under section 2001(c) used in com-
13 puting the applicable credit amount under paragraph (1)
14 for such calendar year shall, in lieu of the rates of tax
15 in effect for preceding calendar periods, be used in deter-
16 mining the amounts allowable as a credit under this sec-
17 tion for all preceding calendar periods.”.

18 (e) REPEAL OF DEDUCTION FOR STATE DEATH
19 TAXES.—

20 (1) IN GENERAL.—Section 2058 (relating to
21 State death taxes) is amended by adding at the end
22 the following:

23 “(c) TERMINATION.—This section shall not apply to
24 the estates of decedents dying after December 31, 2009.”.

1 (2) CONFORMING AMENDMENT.—Section
2 2106(a)(4) is amended by adding at the end the fol-
3 lowing new sentence: “This paragraph shall not
4 apply to the estates of decedents dying after Decem-
5 ber 31, 2009.”.

6 (f) EFFECTIVE DATE.—The amendments made by
7 this section shall apply to estates of decedents dying, gen-
8 eration-skipping transfers, and gifts made, after Decem-
9 ber 31, 2009.

10 (g) ADDITIONAL MODIFICATIONS TO ESTATE TAX.—

11 (1) IN GENERAL.—The following provisions of
12 the Economic Growth and Tax Relief Reconciliation
13 Act of 2001, and the amendments made by such
14 provisions, are hereby repealed:

15 (A) Subtitles A and E of title V.

16 (B) Subsection (d), and so much of sub-
17 section (f)(3) as relates to subsection (d), of
18 section 511.

19 (C) Paragraph (2) of subsection (b), and
20 paragraph (2) of subsection (e), of section 521.

21 The Internal Revenue Code of 1986 shall be applied
22 as if such provisions and amendments had never
23 been enacted.

24 (2) SUNSET NOT TO APPLY.—Section 901 of
25 the Economic Growth and Tax Relief Reconciliation

1 Act of 2001 shall not apply to title V (other than
2 subtitles F, G, and H thereof) of such Act.

3 (3) REPEAL OF DEADWOOD.—

4 (A) Sections 2011, 2057, and 2604 of the
5 Internal Revenue Code of 1986 are hereby re-
6 pealed.

7 (B) The table of sections for part II of
8 subchapter A of chapter 11 of such Code is
9 amended by striking the item relating to section
10 2011.

11 (C) The table of sections for part IV of
12 subchapter A of chapter 11 of such Code is
13 amended by striking the item relating to section
14 2057.

15 (D) The table of sections for subchapter A
16 of chapter 13 of such Code is amended by strik-
17 ing the item relating to section 2604.

18 **SEC. 102. UNIFIED CREDIT INCREASED BY UNUSED UNI-**
19 **FIED CREDIT OF DECEASED SPOUSE.**

20 (a) IN GENERAL.—Subsection (c) of section 2010
21 (defining applicable credit amount), as amended by section
22 101(b), is amended by striking paragraph (2) and insert-
23 ing the following new paragraphs:

1 “(2) APPLICABLE EXCLUSION AMOUNT.—For
2 purposes of this subsection, the applicable exclusion
3 amount is the sum of—

4 “(A) the basic exclusion amount, and

5 “(B) in the case of a surviving spouse, the
6 aggregate deceased spousal unused exclusion
7 amount.

8 “(3) BASIC EXCLUSION AMOUNT.—

9 “(A) IN GENERAL.—For purposes of this
10 subsection, the basic exclusion amount is as fol-
11 lows:

12 “(i) For calendar year 2010,
13 \$3,750,000.

14 “(ii) For calendar year 2011,
15 \$4,000,000.

16 “(iii) For calendar year 2012,
17 \$4,250,000.

18 “(iv) For calendar year 2013,
19 \$4,500,000.

20 “(v) For calendar year 2014,
21 \$4,750,000.

22 “(vi) For calendar year 2015 and
23 thereafter, \$5,000,000.

24 “(B) INFLATION ADJUSTMENT.—In the
25 case of any decedent dying in a calendar year

1 after 2015, the \$5,000,000 amount in subpara-
2 graph (A)(vi) shall be increased by an amount
3 equal to—

4 “(i) such dollar amount, multiplied by
5 “(ii) the cost-of-living adjustment de-
6 termined under section 1(f)(3) for such
7 calendar year by substituting ‘calendar
8 year 2014’ for ‘calendar year 1992’ in sub-
9 paragraph (B) thereof.

10 If any amount as adjusted under the preceding
11 sentence is not a multiple of \$100,000, such
12 amount shall be rounded to the nearest multiple
13 of \$100,000.

14 “(4) AGGREGATE DECEASED SPOUSAL UNUSED
15 EXCLUSION AMOUNT.—For purposes of this sub-
16 section, the term ‘aggregate deceased spousal unused
17 exclusion amount’ means the lesser of—

18 “(A) the basic exclusion amount, or

19 “(B) the sum of the deceased spousal un-
20 used exclusion amounts of the surviving spouse.

21 “(5) DECEASED SPOUSAL UNUSED EXCLUSION
22 AMOUNT.—For purposes of this subsection, the term
23 ‘deceased spousal unused exclusion amount’ means,
24 with respect to the surviving spouse of any deceased

1 spouse dying after December 31, 2009, the excess (if
2 any) of—

3 “(A) the applicable exclusion amount of
4 the deceased spouse, over

5 “(B) the amount with respect to which the
6 tentative tax is determined under section
7 2001(b)(1) on the estate of such deceased
8 spouse.

9 “(6) SPECIAL RULES.—

10 “(A) ELECTION REQUIRED.—A deceased
11 spousal unused exclusion amount may not be
12 taken into account by a surviving spouse under
13 paragraph (5) unless the executor of the estate
14 of the deceased spouse files an estate tax return
15 on which such amount is computed and makes
16 an election on such return that such amount
17 may be so taken into account. Such election,
18 once made, shall be irrevocable. No election
19 may be made under this subparagraph if such
20 return is filed after the time prescribed by law
21 (including extensions) for filing such return.

22 “(B) EXAMINATION OF PRIOR RETURNS
23 AFTER EXPIRATION OF PERIOD OF LIMITATIONS
24 WITH RESPECT TO DECEASED SPOUSAL UN-
25 USED EXCLUSION AMOUNT.—Notwithstanding

1 any period of limitation in section 6501, after
2 the time has expired under section 6501 within
3 which a tax may be assessed under chapter 11
4 or 12 with respect to a deceased spousal unused
5 exclusion amount, the Secretary may examine a
6 return of the deceased spouse to make deter-
7 minations with respect to such amount for pur-
8 poses of carrying out this subsection.

9 “(7) REGULATIONS.—The Secretary shall pre-
10 scribe such regulations as may be necessary or ap-
11 propriate to carry out this subsection.”.

12 (b) CONFORMING AMENDMENTS.—

13 (1) Paragraph (1) of section 2505(a), as
14 amended by section 101, is amended to read as fol-
15 lows:

16 “(1) the applicable credit amount under section
17 2010(e) which would apply if the donor died as of
18 the end of the calendar year, reduced by”.

19 (2) Section 2631(c) is amended by striking “the
20 applicable exclusion amount” and inserting “the
21 basic exclusion amount”.

22 (3) Section 6018(a)(1), after the application of
23 section 101(g), is amended by striking “applicable
24 exclusion amount” and inserting “basic exclusion
25 amount”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to estates of decedents dying, gen-
3 eration-skipping transfers, and gifts made, after Decem-
4 ber 31, 2009.

5 **TITLE II—EXTENSION AND EX-**
6 **PANSION OF CERTAIN TAX**
7 **RELIEF PROVISIONS**

8 **Subtitle A—Extension and**
9 **Modification of Certain Provisions**

10 **SEC. 201. DEDUCTION FOR QUALIFIED TUITION AND RE-**
11 **LATED EXPENSES.**

12 (a) IN GENERAL.—Section 222(e) is amended by
13 striking “2005” and inserting “2007”.

14 (b) CONFORMING AMENDMENTS.—Section
15 222(b)(2)(B) is amended—

16 (1) by striking “a taxable year beginning in
17 2004 or 2005” and inserting “any taxable year be-
18 ginning after 2003”, and

19 (2) by striking “2004 AND 2005” in the heading
20 and inserting “AFTER 2003”.

21 (c) EFFECTIVE DATE.—The amendments made by
22 this section shall apply to taxable years beginning after
23 December 31, 2005.

1 **SEC. 202. EXTENSION AND MODIFICATION OF NEW MAR-**
2 **KETS TAX CREDIT.**

3 (a) EXTENSION.—Section 45D(f)(1)(D) is amended
4 by striking “and 2007” and inserting “, 2007, and 2008”.

5 (b) REGULATIONS REGARDING NON-METROPOLITAN
6 COUNTIES.—Section 45D(i) is amended by striking “and”
7 at the end of paragraph (4), by striking the period at the
8 end of paragraph (5) and inserting “, and”, and by adding
9 at the end the following new paragraph:

10 “(6) which ensure that non-metropolitan coun-
11 ties receive a proportional allocation of qualified eq-
12 uity investments.”.

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

16 **SEC. 203. ELECTION TO DEDUCT STATE AND LOCAL GEN-**
17 **ERAL SALES TAXES.**

18 (a) IN GENERAL.—Section 164(b)(5)(I) is amended
19 by striking “2006” and inserting “2008”.

20 (b) EFFECTIVE DATE.—The amendments made by
21 this section shall apply to taxable years beginning after
22 December 31, 2005.

23 **SEC. 204. EXTENSION AND MODIFICATION OF RESEARCH**
24 **CREDIT.**

25 (a) EXTENSION.—

1 (1) IN GENERAL.—Section 41(h)(1)(B) is
2 amended by striking “2005” and inserting “2007”.

3 (2) CONFORMING AMENDMENT.—Section
4 45C(b)(1)(D) is amended by striking “2005” and
5 inserting “2007”.

6 (3) EFFECTIVE DATE.—The amendments made
7 by this subsection shall apply to amounts paid or in-
8 curred after December 31, 2005.

9 (b) INCREASE IN RATES OF ALTERNATIVE INCRE-
10 MENTAL CREDIT.—

11 (1) IN GENERAL.—Subparagraph (A) of section
12 41(c)(4) (relating to election of alternative incre-
13 mental credit) is amended—

14 (A) by striking “2.65 percent” and insert-
15 ing “3 percent”,

16 (B) by striking “3.2 percent” and inserting
17 “4 percent”, and

18 (C) by striking “3.75 percent” and insert-
19 ing “5 percent”.

20 (2) EFFECTIVE DATE.—The amendments made
21 by this subsection shall apply to amounts paid or in-
22 curred after December 31, 2006.

23 (c) ALTERNATIVE SIMPLIFIED CREDIT FOR QUALI-
24 FIED RESEARCH EXPENSES.—

1 (1) IN GENERAL.—Subsection (c) of section 41
2 (relating to base amount) is amended by redesignig-
3 nating paragraphs (5) and (6) as paragraphs (6)
4 and (7), respectively, and by inserting after para-
5 graph (4) the following new paragraph:

6 “(5) ELECTION OF ALTERNATIVE SIMPLIFIED
7 CREDIT.—

8 “(A) IN GENERAL.—At the election of the
9 taxpayer, the credit determined under sub-
10 section (a)(1) shall be equal to 12 percent of so
11 much of the qualified research expenses for the
12 taxable year as exceeds 50 percent of the aver-
13 age qualified research expenses for the 3 tax-
14 able years preceding the taxable year for which
15 the credit is being determined.

16 “(B) SPECIAL RULE IN CASE OF NO
17 QUALIFIED RESEARCH EXPENSES IN ANY OF 3
18 PRECEDING TAXABLE YEARS.—

19 “(i) TAXPAYERS TO WHICH SUBPARA-
20 GRAPH APPLIES.—The credit under this
21 paragraph shall be determined under this
22 subparagraph if the taxpayer has no quali-
23 fied research expenses in any one of the 3
24 taxable years preceding the taxable year
25 for which the credit is being determined.

1 “(ii) CREDIT RATE.—The credit de-
2 termined under this subparagraph shall be
3 equal to 6 percent of the qualified research
4 expenses for the taxable year.

5 “(C) ELECTION.—An election under this
6 paragraph shall apply to the taxable year for
7 which made and all succeeding taxable years
8 unless revoked with the consent of the Sec-
9 retary. An election under this paragraph may
10 not be made for any taxable year to which an
11 election under paragraph (4) applies.”.

12 (2) COORDINATION WITH ELECTION OF ALTER-
13 NATIVE INCREMENTAL CREDIT.—

14 (A) IN GENERAL.—Section 41(c)(4)(B)
15 (relating to election) is amended by adding at
16 the end the following: “An election under this
17 paragraph may not be made for any taxable
18 year to which an election under paragraph (5)
19 applies.”.

20 (B) TRANSITION RULE.—In the case of an
21 election under section 41(c)(4) of the Internal
22 Revenue Code of 1986 which applies to the tax-
23 able year which includes the date of the enact-
24 ment of this Act, such election shall be treated
25 as revoked with the consent of the Secretary of

1 the Treasury if the taxpayer makes an election
2 under section 41(c)(5) of such Code (as added
3 by subsection (c)) for such year.

4 (3) EFFECTIVE DATE.—The amendments made
5 by this subsection shall apply to amounts paid or in-
6 curred after December 31, 2006.

7 **SEC. 205. WORK OPPORTUNITY TAX CREDIT AND WELFARE-**
8 **TO-WORK CREDIT.**

9 (a) IN GENERAL.—Sections 51(c)(4)(B) and 51A(f)
10 are each amended by striking “2005” and inserting
11 “2007”.

12 (b) ELIGIBILITY OF EX-FELONS DETERMINED
13 WITHOUT REGARD TO FAMILY INCOME.—Paragraph (4)
14 of section 51(d) is amended by adding “and” at the end
15 of subparagraph (A), by striking “, and” at the end of
16 subparagraph (B) and inserting a period, and by striking
17 all that follows subparagraph (B).

18 (c) INCREASE IN MAXIMUM AGE FOR ELIGIBILITY OF
19 FOOD STAMP RECIPIENTS.—Clause (i) of section
20 51(d)(8)(A) is amended by striking “25” and inserting
21 “40”.

22 (d) EXTENSION OF PAPERWORK FILING DEAD-
23 LINE.—Section 51(d)(12)(A)(ii)(II) is amended by strik-
24 ing “21st day” and inserting “28th day”.

1 (e) CONSOLIDATION OF WORK OPPORTUNITY CRED-
2 IT WITH WELFARE-TO-WORK CREDIT.—

3 (1) IN GENERAL.—Paragraph (1) of section
4 51(d) is amended by striking “or” at the end of sub-
5 paragraph (G), by striking the period at the end of
6 subparagraph (H) and inserting “, or”, and by add-
7 ing at the end the following new subparagraph:

8 “(I) a long-term family assistance recipi-
9 ent.”.

10 (2) LONG-TERM FAMILY ASSISTANCE RECIPI-
11 ENT.—Subsection (d) of section 51 is amended by
12 redesignating paragraphs (10) through (12) as para-
13 graphs (11) through (13), respectively, and by in-
14 sserting after paragraph (9) the following new para-
15 graph:

16 “(10) LONG-TERM FAMILY ASSISTANCE RECIPI-
17 ENT.—The term ‘long-term family assistance recipi-
18 ent’ means any individual who is certified by the
19 designated local agency—

20 “(A) as being a member of a family receiv-
21 ing assistance under a IV–A program (as de-
22 fined in paragraph (2)(B)) for at least the 18-
23 month period ending on the hiring date,

1 “(B)(i) as being a member of a family re-
2 ceiving such assistance for 18 months beginning
3 after August 5, 1997, and

4 “(ii) as having a hiring date which is not
5 more than 2 years after the end of the earliest
6 such 18-month period, or

7 “(C)(i) as being a member of a family
8 which ceased to be eligible for such assistance
9 by reason of any limitation imposed by Federal
10 or State law on the maximum period such as-
11 sistance is payable to a family, and

12 “(ii) as having a hiring date which is not
13 more than 2 years after the date of such ces-
14 sation.”.

15 (3) INCREASED CREDIT FOR EMPLOYMENT OF
16 LONG-TERM FAMILY ASSISTANCE RECIPIENTS.—Sec-
17 tion 51 is amended by inserting after subsection (d)
18 the following new subsection:

19 “(e) CREDIT FOR SECOND-YEAR WAGES FOR EM-
20 PLOYMENT OF LONG-TERM FAMILY ASSISTANCE RECIPI-
21 ENTS.—

22 “(1) IN GENERAL.—With respect to the em-
23 ployment of a long-term family assistance recipi-
24 ent—

1 “(A) the amount of the work opportunity
2 credit determined under this section for the tax-
3 able year shall include 50 percent of the quali-
4 fied second-year wages for such year, and

5 “(B) in lieu of applying subsection (b)(3),
6 the amount of the qualified first-year wages,
7 and the amount of qualified second-year wages,
8 which may be taken into account with respect
9 to such a recipient shall not exceed \$10,000 per
10 year.

11 “(2) QUALIFIED SECOND-YEAR WAGES.—For
12 purposes of this subsection, the term ‘qualified sec-
13 ond-year wages’ means qualified wages—

14 “(A) which are paid to a long-term family
15 assistance recipient, and

16 “(B) which are attributable to service ren-
17 dered during the 1-year period beginning on the
18 day after the last day of the 1-year period with
19 respect to such recipient determined under sub-
20 section (b)(2).

21 “(3) SPECIAL RULES FOR AGRICULTURAL AND
22 RAILWAY LABOR.—If such recipient is an employee
23 to whom subparagraph (A) or (B) of subsection
24 (h)(1) applies, rules similar to the rules of such sub-
25 paragraphs shall apply except that—

1 “(A) such subparagraph (A) shall be ap-
2 plied by substituting ‘\$10,000’ for ‘\$6,000’, and

3 “(B) such subparagraph (B) shall be ap-
4 plied by substituting ‘\$833.33’ for ‘\$500’.”.

5 (4) REPEAL OF SEPARATE WELFARE-TO-WORK
6 CREDIT.—

7 (A) IN GENERAL.—Section 51A is hereby
8 repealed.

9 (B) CLERICAL AMENDMENT.—The table of
10 sections for subpart F of part IV of subchapter
11 A of chapter 1 is amended by striking the item
12 relating to section 51A.

13 (f) EFFECTIVE DATES.—

14 (1) IN GENERAL.—Except as provided in para-
15 graph (2), the amendments made by this section
16 shall apply to individuals who begin work for the
17 employer after December 31, 2005.

18 (2) CONSOLIDATION.—The amendments made
19 by subsections (b), (c), (d), and (e) shall apply to in-
20 dividuals who begin work for the employer after De-
21 cember 31, 2006.

1 **SEC. 206. ELECTION TO INCLUDE COMBAT PAY AS EARNED**
2 **INCOME FOR PURPOSES OF EARNED INCOME**
3 **CREDIT.**

4 (a) **IN GENERAL.**—Section 32(c)(2)(B)(vi)(II) is
5 amended by striking “2007” and inserting “2008”.

6 (b) **EFFECTIVE DATE.**—The amendment made by
7 this section shall apply to taxable years beginning after
8 December 31, 2006.

9 **SEC. 207. EXTENSION AND MODIFICATION OF QUALIFIED**
10 **ZONE ACADEMY BONDS.**

11 (a) **IN GENERAL.**—Paragraph (1) of section
12 1397E(e) is amended by striking “and 2005” and insert-
13 ing “2005, 2006, and 2007”.

14 (b) **SPECIAL RULES RELATING TO EXPENDITURES,**
15 **ARBITRAGE, AND REPORTING.**—

16 (1) **IN GENERAL.**—Section 1397E is amend-
17 ed—

18 (A) in subsection (d)(1), by striking “and”
19 at the end of subparagraph (C)(iii), by striking
20 the period at the end of subparagraph (D) and
21 inserting “, and”, and by adding at the end the
22 following new subparagraph:

23 “(E) the issue meets the requirements of
24 subsections (f), (g), and (h).”, and

25 (B) by redesignating subsections (f), (g),
26 (h), and (i) as subsection (i), (j), (k), and (l),

1 respectively, and by inserting after subsection
2 (e) the following new subsections:

3 “(f) SPECIAL RULES RELATING TO EXPENDI-
4 TURES.—

5 “(1) IN GENERAL.—An issue shall be treated as
6 meeting the requirements of this subsection if, as of
7 the date of issuance, the issuer reasonably expects—

8 “(A) at least 95 percent of the proceeds
9 from the sale of the issue are to be spent for
10 1 or more qualified purposes with respect to
11 qualified zone academies within the 5-year pe-
12 riod beginning on the date of issuance of the
13 qualified zone academy bond,

14 “(B) a binding commitment with a third
15 party to spend at least 10 percent of the pro-
16 ceeds from the sale of the issue will be incurred
17 within the 6-month period beginning on the
18 date of issuance of the qualified zone academy
19 bond, and

20 “(C) such purposes will be completed with
21 due diligence and the proceeds from the sale of
22 the issue will be spent with due diligence.

23 “(2) EXTENSION OF PERIOD.—Upon submis-
24 sion of a request prior to the expiration of the period
25 described in paragraph (1)(A), the Secretary may

1 extend such period if the issuer establishes that the
2 failure to satisfy the 5-year requirement is due to
3 reasonable cause and the related purposes will con-
4 tinue to proceed with due diligence.

5 “(3) FAILURE TO SPEND REQUIRED AMOUNT
6 OF BOND PROCEEDS WITHIN 5 YEARS.—To the ex-
7 tent that less than 95 percent of the proceeds of
8 such issue are expended by the close of the 5-year
9 period beginning on the date of issuance (or if an
10 extension has been obtained under paragraph (2), by
11 the close of the extended period), the issuer shall re-
12 deem all of the nonqualified bonds within 90 days
13 after the end of such period. For purposes of this
14 paragraph, the amount of the nonqualified bonds re-
15 quired to be redeemed shall be determined in the
16 same manner as under section 142.

17 “(g) SPECIAL RULES RELATING TO ARBITRAGE.—
18 An issue shall be treated as meeting the requirements of
19 this subsection if the issuer satisfies the arbitrage require-
20 ments of section 148 with respect to proceeds of the issue.

21 “(h) REPORTING.—Issuers of qualified academy zone
22 bonds shall submit reports similar to the reports required
23 under section 149(e).”.

24 (2) CONFORMING AMENDMENTS.—Sections
25 54(l)(3)(B) and 1400N(l)(7)(B)(ii) are each amend-

1 ed by striking “section 1397E(i)” and inserting
2 “section 1397E(l)”.

3 (c) EFFECTIVE DATES.—

4 (1) EXTENSION.—The amendment made by
5 subsection (a) shall apply to obligations issued after
6 December 31, 2005.

7 (2) SPECIAL RULES.—The amendments made
8 by subsection (b) shall apply to obligations issued
9 after the date of the enactment of this Act pursuant
10 to allocations of the national zone academy bond
11 limitation for calendar years after 2005.

12 **SEC. 208. ABOVE-THE-LINE DEDUCTION FOR CERTAIN EX-**
13 **PENSES OF ELEMENTARY AND SECONDARY**
14 **SCHOOL TEACHERS.**

15 (a) IN GENERAL.—Subparagraph (D) of section
16 62(a)(2) is amended by striking “or 2005” and inserting
17 “2005, 2006, or 2007”.

18 (b) EFFECTIVE DATE.—The amendment made by
19 this section shall apply to taxable years beginning after
20 December 31, 2005.

21 **SEC. 209. EXTENSION AND EXPANSION OF EXPENSING OF**
22 **BROWNFIELDS REMEDIATION COSTS.**

23 (a) EXTENSION.—Subsection (h) of section 198 is
24 amended by striking “2005” and inserting “2007”.

1 (b) EXPANSION.—Section 198(d)(1) (defining haz-
2 ardous substance) is amended by striking “and” at the
3 end of subparagraph (A), by striking the period at the
4 end of subparagraph (B) and inserting “, and”, and by
5 adding at the end the following new subparagraph:

6 “(C) any petroleum product (as defined in
7 section 4612(a)(3)).”.

8 (c) EFFECTIVE DATE.—The amendments made by
9 this section shall apply to expenditures paid or incurred
10 after December 31, 2005.

11 **SEC. 210. TAX INCENTIVES FOR INVESTMENT IN THE DIS-**
12 **TRICT OF COLUMBIA.**

13 (a) DESIGNATION OF ZONE.—

14 (1) IN GENERAL.—Subsection (f) of section
15 1400 is amended by striking “2005” both places it
16 appears and inserting “2007”.

17 (2) EFFECTIVE DATE.—The amendments made
18 by this subsection shall apply to periods beginning
19 after December 31, 2005.

20 (b) TAX-EXEMPT ECONOMIC DEVELOPMENT
21 BONDS.—

22 (1) IN GENERAL.—Subsection (b) of section
23 1400A is amended by striking “2005” and inserting
24 “2007”.

1 (2) EFFECTIVE DATE.—The amendment made
2 by this subsection shall apply to bonds issued after
3 December 31, 2005.

4 (c) ZERO PERCENT CAPITAL GAINS RATE.—

5 (1) IN GENERAL.—Subsection (b) of section
6 1400B is amended by striking “2006” each place it
7 appears and inserting “2008”.

8 (2) CONFORMING AMENDMENTS.—

9 (A) Section 1400B(e)(2) is amended—

10 (i) by striking “2010” and inserting
11 “2012”, and

12 (ii) by striking “2010” in the heading
13 thereof and inserting “2012”.

14 (B) Section 1400B(g)(2) is amended by
15 striking “2010” and inserting “2012”.

16 (C) Section 1400F(d) is amended by strik-
17 ing “2010” and inserting “2012”.

18 (3) EFFECTIVE DATES.—

19 (A) EXTENSION.—The amendments made
20 by paragraph (1) shall apply to acquisitions
21 after December 31, 2005.

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

25 (d) FIRST-TIME HOMEBUYER CREDIT.—

1 (1) IN GENERAL.—Subsection (i) of section
2 1400C is amended by striking “2006” and inserting
3 “2008”.

4 (2) EFFECTIVE DATE.—The amendment made
5 by this subsection shall apply to property purchased
6 after December 31, 2005.

7 **SEC. 211. INDIAN EMPLOYMENT TAX CREDIT.**

8 (a) IN GENERAL.—Section 45A(f) is amended by
9 striking “2005” and inserting “2007”.

10 (b) EFFECTIVE DATE.—The amendment made by
11 this section shall apply to taxable years beginning after
12 December 31, 2005.

13 **SEC. 212. ACCELERATED DEPRECIATION FOR BUSINESS**
14 **PROPERTY ON INDIAN RESERVATIONS.**

15 (a) IN GENERAL.—Section 168(j)(8) is amended by
16 striking “2005” and inserting “2007”.

17 (b) EFFECTIVE DATE.—The amendment made by
18 this section shall apply to property placed in service after
19 December 31, 2005.

20 **SEC. 213. FIFTEEN-YEAR STRAIGHT-LINE COST RECOVERY**
21 **FOR QUALIFIED LEASEHOLD IMPROVEMENTS**
22 **AND QUALIFIED RESTAURANT PROPERTY.**

23 (a) IN GENERAL.—Clauses (iv) and (v) of section
24 168(e)(3)(E) are each amended by striking “2006” and
25 inserting “2008”.

1 (b) TREATMENT OF RESTAURANT PROPERTY TO IN-
2 CLUDE NEW CONSTRUCTION.—Paragraph (7) of section
3 168(e) (relating to classification of property) is amended
4 to read as follows:

5 “(7) QUALIFIED RESTAURANT PROPERTY.—The
6 term ‘qualified restaurant property’ means any sec-
7 tion 1250 property which is a building or an im-
8 provement to a building if more than 50 percent of
9 the building’s square footage is devoted to prepara-
10 tion of, and seating for on-premises consumption of,
11 prepared meals.”.

12 (c) EFFECTIVE DATES.—

13 (1) SUBSECTION (a).—The amendments made
14 by subsection (a) shall apply to property placed in
15 service after December 31, 2005.

16 (2) SUBSECTION (b).—The amendment made
17 by subsection (b) shall apply to property placed in
18 service after the date of the enactment of this Act.

19 **SEC. 214. COVER OVER OF TAX ON DISTILLED SPIRITS.**

20 (a) IN GENERAL.—Section 7652(f)(1) is amended by
21 striking “2006” and inserting “2008”.

22 (b) EFFECTIVE DATE.—The amendment made by
23 subsection (a) shall apply to articles brought into the
24 United States after December 31, 2005.

1 **SEC. 215. PARITY IN APPLICATION OF CERTAIN LIMITS TO**
2 **MENTAL HEALTH BENEFITS.**

3 (a) AMENDMENT TO THE INTERNAL REVENUE CODE
4 OF 1986.—Section 9812(f)(3) is amended by striking
5 “2006” and inserting “2007”.

6 (b) AMENDMENT TO THE EMPLOYEE RETIREMENT
7 INCOME SECURITY ACT OF 1974.—Section 712(f) of the
8 Employee Retirement Income Security Act of 1974 (29
9 U.S.C. 1185a(f)) is amended by striking “2006” and in-
10 serting “2007”.

11 (c) AMENDMENT TO THE PUBLIC HEALTH SERVICE
12 ACT.—Section 2705(f) of the Public Health Service Act
13 (42 U.S.C. 300gg-5(f)) is amended by striking
14 “2006” and inserting “2007”.

15 **SEC. 216. CORPORATE DONATIONS OF SCIENTIFIC PROP-**
16 **ERTY USED FOR RESEARCH AND OF COM-**
17 **PUTER TECHNOLOGY AND EQUIPMENT.**

18 (a) EXTENSION OF COMPUTER TECHNOLOGY AND
19 EQUIPMENT DONATION.—

20 (1) IN GENERAL.—Section 170(e)(6)(G) is
21 amended by striking “2005” and inserting “2007”.

22 (2) EFFECTIVE DATE.—The amendment made
23 by paragraph (1) shall apply to contributions made
24 in taxable years beginning after December 31, 2005.

25 (b) EXPANSION OF CHARITABLE CONTRIBUTION AL-
26 LOWED FOR SCIENTIFIC PROPERTY USED FOR RESEARCH

1 AND FOR COMPUTER TECHNOLOGY AND EQUIPMENT
2 USED FOR EDUCATIONAL PURPOSES.—

3 (1) SCIENTIFIC PROPERTY USED FOR RE-
4 SEARCH.—

5 (A) IN GENERAL.—Clause (ii) of section
6 170(e)(4)(B) (defining qualified research con-
7 tributions) is amended by inserting “or assem-
8 bled” after “constructed”.

9 (B) CONFORMING AMENDMENT.—Clause
10 (iii) of section 170(e)(4)(B) is amended by in-
11 serting “or assembly” after “construction”.

12 (2) COMPUTER TECHNOLOGY AND EQUIPMENT
13 FOR EDUCATIONAL PURPOSES.—

14 (A) IN GENERAL.—Clause (ii) of section
15 170(e)(6)(B) is amended by inserting “or as-
16 sembled” after “constructed” and “or assem-
17 bling” after “construction”.

18 (B) CONFORMING AMENDMENT.—Subpara-
19 graph (D) of section 170(e)(6) is amended by
20 inserting “or assembled” after “constructed”
21 and “or assembly” after “construction”.

22 (3) EFFECTIVE DATE.—The amendments made
23 by this subsection shall apply to taxable years begin-
24 ning after December 31, 2005.

1 **SEC. 217. AVAILABILITY OF MEDICAL SAVINGS ACCOUNTS.**

2 (a) IN GENERAL.—Paragraphs (2) and (3)(B) of sec-
3 tion 220(i) are each amended by striking “2005” each
4 place it appears in the text and headings and inserting
5 “2007”.

6 (b) CONFORMING AMENDMENTS.—

7 (1) Paragraph (2) of section 220(j) is amend-
8 ed—

9 (A) in the text by striking “or 2004” each
10 place it appears and inserting “2004, 2005, or
11 2006”, and

12 (B) in the heading by striking “OR 2004”
13 and inserting “2004, 2005, OR 2006”.

14 (2) Subparagraph (A) of section 220(j)(4) is
15 amended by striking “and 2004” and inserting
16 “2004, 2005, and 2006”.

17 (c) TIME FOR FILING REPORTS, ETC.—

18 (1) The report required by section 220(j)(4) of
19 the Internal Revenue Code of 1986 to be made on
20 August 1, 2005, shall be treated as timely if made
21 before the close of the 90-day period beginning on
22 the date of the enactment of this Act.

23 (2) The determination and publication required
24 by section 220(j)(5) of such Code with respect to
25 calendar year 2005 shall be treated as timely if
26 made before the close of the 120-day period begin-

1 ning on the date of the enactment of this Act. If the
2 determination under the preceding sentence is that
3 2005 is a cut-off year under section 220(i) of such
4 Code, the cut-off date under such section 220(i)
5 shall be the last day of such 120-day period.

6 **SEC. 218. TAXABLE INCOME LIMIT ON PERCENTAGE DEPLE-**
7 **TION FOR OIL AND NATURAL GAS PRODUCED**
8 **FROM MARGINAL PROPERTIES.**

9 (a) IN GENERAL.—Section 613A(c)(6)(H) is amend-
10 ed by striking “2006” and inserting “2008”.

11 (b) EFFECTIVE DATE.—The amendment made by
12 subsection (a) shall apply to taxable years beginning after
13 December 31, 2005.

14 **SEC. 219. AMERICAN SAMOA ECONOMIC DEVELOPMENT**
15 **CREDIT.**

16 (a) IN GENERAL.—For purposes of section 30A of
17 the Internal Revenue Code of 1986, a domestic corpora-
18 tion shall be treated as a qualified domestic corporation
19 to which such section applies if such corporation—

20 (1) is an existing credit claimant with respect
21 to American Samoa, and

22 (2) elected the application of section 936 of the
23 Internal Revenue Code of 1986 for its last taxable
24 year beginning before January 1, 2006.

1 (b) SPECIAL RULES FOR APPLICATION OF SEC-
2 TION.—The following rules shall apply in applying section
3 30A of the Internal Revenue Code of 1986 for purposes
4 of this section:

5 (1) AMOUNT OF CREDIT.—Notwithstanding sec-
6 tion 30A(a)(1) of such Code, the amount of the
7 credit determined under section 30A(a)(1) of such
8 Code for any taxable year shall be the amount deter-
9 mined under section 30A(d) of such Code, except
10 that section 30A(d) shall be applied without regard
11 to paragraph (3) thereof.

12 (2) SEPARATE APPLICATION.—In applying sec-
13 tion 30A(a)(3) of such Code in the case of a cor-
14 poration treated as a qualified domestic corporation
15 by reason of this section, section 30A of such Code
16 (and so much of section 936 of such Code as relates
17 to such section 30A) shall be applied separately with
18 respect to American Samoa.

19 (3) FOREIGN TAX CREDIT ALLOWED.—Notwith-
20 standing section 30A(e) of such Code, the provisions
21 of section 936(e) of such Code shall not apply with
22 respect to the credit allowed by reason of this sec-
23 tion.

24 (c) DEFINITIONS.—For purposes of this section, any
25 term which is used in this section which is also used in

1 section 30A or 936 of such Code shall have the same
2 meaning given such term by such section 30A or 936.

3 (d) APPLICATION OF SECTION.—Notwithstanding
4 section 30A(h) or section 936(j) of such Code, this section
5 (and so much of section 30A and section 936 of such Code
6 as relates to this section) shall apply to the first two tax-
7 able years of a corporation to which subsection (a) applies
8 which begin after December 31, 2005, and before January
9 1, 2008.

10 **SEC. 220. RESTRUCTURING OF NEW YORK LIBERTY ZONE**
11 **TAX CREDITS.**

12 (a) IN GENERAL.—Part I of subchapter Y of chapter
13 1 is amended by redesignating section 1400L as 1400K
14 and by adding at the end the following new section:

15 **“SEC. 1400L. NEW YORK LIBERTY ZONE TAX CREDITS.**

16 “(a) IN GENERAL.—In the case of a New York Lib-
17 erty Zone governmental unit, there shall be allowed as a
18 credit against any taxes imposed for any payroll period
19 by section 3402 for which such governmental unit is liable
20 under section 3403 an amount equal to so much of the
21 portion of the qualifying project expenditure amount allo-
22 cated under subsection (b)(3) to such governmental unit
23 for the calendar year as is allocated by such governmental
24 unit to such period under subsection (b)(4).

1 “(b) QUALIFYING PROJECT EXPENDITURE
2 AMOUNT.—For purposes of this section—

3 “(1) IN GENERAL.—The term ‘qualifying
4 project expenditure amount’ means, with respect to
5 any calendar year, the sum of—

6 “(A) the total expenditures paid or in-
7 curred during such calendar year by all New
8 York Liberty Zone governmental units and the
9 Port Authority of New York and New Jersey
10 for any portion of qualifying projects located
11 wholly within the City of New York, New York,
12 and

13 “(B) any such expenditures—

14 “(i) paid or incurred in any preceding
15 calendar year which begins after the date
16 of enactment of this section, and

17 “(ii) not previously allocated under
18 paragraph (3).

19 “(2) QUALIFYING PROJECT.—The term ‘quali-
20 fying project’ means any transportation infrastruc-
21 ture project, including highways, mass transit sys-
22 tems, railroads, airports, ports, and waterways, in or
23 connecting with the New York Liberty Zone (as de-
24 fined in section 1400K(h)), which is designated as a
25 qualifying project under this section jointly by the

1 Governor of the State of New York and the Mayor
2 of the City of New York, New York.

3 “(3) GENERAL ALLOCATION.—

4 “(A) IN GENERAL.—The Governor of the
5 State of New York and the Mayor of the City
6 of New York, New York, shall jointly allocate to
7 each New York Liberty Zone governmental unit
8 the portion of the qualifying project expenditure
9 amount which may be taken into account by
10 such governmental unit under subsection (a) for
11 any calendar year in the credit period.

12 “(B) AGGREGATE LIMIT.—The aggregate
13 amount which may be allocated under subpara-
14 graph (A) for all calendar years in the credit
15 period shall not exceed \$1,750,000,000.

16 “(C) ANNUAL LIMIT.—

17 “(i) IN GENERAL.—The aggregate
18 amount which may be allocated under sub-
19 paragraph (A) for any calendar year in the
20 credit period shall not exceed the sum of—

21 “(I) the applicable limit, plus

22 “(II) the aggregate amount au-
23 thORIZED to be allocated under this
24 paragraph for all preceding calendar

1 years in the credit period which was
2 not so allocated.

3 “(ii) APPLICABLE LIMIT.—For pur-
4 poses of clause (i), the applicable limit for
5 any calendar year is—

6 “(I) in the case of calendar years
7 2007 through 2016, \$100,000,000,

8 “(II) in the case of calendar year
9 2017 or 2018, \$200,000,000,

10 “(III) in the case of calendar
11 year 2019, \$150,000,000,

12 “(IV) in the case of calendar
13 year 2020 or 2021, \$100,000,000,
14 and

15 “(V) in the case of any calendar
16 year after 2021, zero.

17 “(D) UNALLOCATED AMOUNTS AT END OF
18 CREDIT PERIOD.—If, as of the close of the cred-
19 it period, the amount under subparagraph (B)
20 exceeds the aggregate amount allocated under
21 subparagraph (A) for all calendar years in the
22 credit period, the Governor of the State of New
23 York and the Mayor of the City of New York,
24 New York, may jointly allocate to New York
25 Liberty Zone governmental units for any cal-

1 endar year in the 5-year period following the
2 credit period an amount equal to—

3 “(i) the lesser of—

4 “(I) such excess, or

5 “(II) the qualifying project ex-
6 penditure amount for such calendar
7 year, reduced by

8 “(ii) the aggregate amount allocated
9 under this subparagraph for all preceding
10 calendar years.

11 “(4) ALLOCATION TO PAYROLL PERIODS.—

12 Each New York Liberty Zone governmental unit
13 which has been allocated a portion of the qualifying
14 project expenditure amount under paragraph (3) for
15 a calendar year may allocate such portion to payroll
16 periods beginning in such calendar year as such gov-
17 ernmental unit determines appropriate.

18 “(c) CARRYOVER OF UNUSED ALLOCATIONS.—

19 “(1) IN GENERAL.—Except as provided in para-
20 graph (2), if the amount allocated under subsection
21 (b)(3) to a New York Liberty Zone governmental
22 unit for any calendar year exceeds the aggregate
23 taxes imposed by section 3402 for which such gov-
24 ernmental unit is liable under section 3403 for peri-
25 ods beginning in such year, such excess shall be car-

1 ried to the succeeding calendar year and added to
2 the allocation of such governmental unit for such
3 succeeding calendar year. No amount may be carried
4 under the preceding sentence to a calendar year
5 after 2026.

6 “(2) REALLOCATION.—If a New York Liberty
7 Zone governmental unit does not use an amount al-
8 located to it under subsection (b)(3) within the time
9 prescribed by the Governor of the State of New York
10 and the Mayor of the City of New York, New York,
11 then such amount shall after such time be treated
12 for purposes of subsection (b)(3) in the same man-
13 ner as if it had never been allocated.

14 “(d) DEFINITIONS AND SPECIAL RULES.—For pur-
15 poses of this section—

16 “(1) CREDIT PERIOD.—The term ‘credit period’
17 means the 15-year period beginning on January 1,
18 2007.

19 “(2) NEW YORK LIBERTY ZONE GOVERN-
20 MENTAL UNIT.—The term ‘New York Liberty Zone
21 governmental unit’ means—

22 “(A) the State of New York,

23 “(B) the City of New York, New York, and

24 “(C) any agency or instrumentality of such
25 State or City.

1 “(3) TREATMENT OF FUNDS.—Any expenditure
2 for a qualifying project taken into account for pur-
3 poses of the credit under this section shall be consid-
4 ered State and local funds for the purpose of any
5 Federal program.

6 “(4) TREATMENT OF CREDIT AMOUNTS FOR
7 PURPOSES OF WITHHOLDING TAXES.—For purposes
8 of this title, a New York Liberty Zone governmental
9 unit shall be treated as having paid to the Secretary,
10 on the day on which wages are paid to employees,
11 an amount equal to the amount of the credit allowed
12 to such entity under subsection (a) with respect to
13 such wages, but only if such governmental unit de-
14 ducts and withholds wages for such payroll period
15 under section 3401 (relating to wage withholding).

16 “(e) REPORTING.—The Governor of the State of New
17 York and the Mayor of the City of New York, New York,
18 shall jointly submit to the Secretary an annual report—

19 “(1) which certifies—

20 “(A) the qualifying project expenditure
21 amount for the calendar year, and

22 “(B) the amount allocated to each New
23 York Liberty Zone governmental unit under
24 subsection (b)(3) for the calendar year, and

1 “(2) includes such other information as the
2 Secretary may require to carry out this section.

3 “(f) GUIDANCE.—The Secretary may prescribe such
4 guidance as may be necessary or appropriate to ensure
5 compliance with the purposes of this section.

6 “(g) TERMINATION.—No credit shall be allowed
7 under subsection (a) for any calendar year after 2026.”.

8 (b) TERMINATION OF CERTAIN NEW YORK LIBERTY
9 ZONE BENEFITS.—

10 (1) SPECIAL ALLOWANCE AND EXPENSING.—
11 Section 1400K(b)(2)(A)(v), as redesignated by sub-
12 section (a), is amended by striking “the termination
13 date” and inserting “the date of the enactment of
14 the Estate Tax and Extension of Tax Relief Act of
15 2006 or the termination date if pursuant to a bind-
16 ing contract in effect on such enactment date”.

17 (2) LEASEHOLD.—Section 1400K(c)(2)(B), as
18 so redesignated, is amended by striking “before Jan-
19 uary 1, 2007” and inserting “on or before the date
20 of the enactment of the Estate Tax and Extension
21 of Tax Relief Act of 2006 or before January 1,
22 2007, if pursuant to a binding contract in effect on
23 such enactment date”.

24 (c) CONFORMING AMENDMENTS.—

1 “(A) IN GENERAL.—In the case of any
2 specified Gulf Opportunity Zone extension prop-
3 erty, paragraph (2)(A) shall be applied without
4 regard to clause (v) thereof.

5 “(B) SPECIFIED GULF OPPORTUNITY ZONE
6 EXTENSION PROPERTY.—For purposes of this
7 paragraph, the term ‘specified Gulf Opportunity
8 Zone extension property’ means property—

9 “(i) substantially all of the use of
10 which is in one or more specified portions
11 of the GO Zone, and

12 “(ii) which is—

13 “(I) nonresidential real property
14 or residential rental property which is
15 placed in service by the taxpayer on or
16 before December 31, 2009, or

17 “(II) in the case of a taxpayer
18 who places a building described in
19 subclause (I) in service on or before
20 December 31, 2009, property de-
21 scribed in section 168(k)(2)(A)(i) if
22 substantially all of the use of such
23 property is in such building and such
24 property is placed in service by the

1 taxpayer not later than 90 days after
2 such building is placed in service.

3 “(C) SPECIFIED PORTIONS OF THE GO
4 ZONE.—For purposes of this paragraph, the
5 term ‘specified portions of the GO Zone’ means
6 those portions of the GO Zone which are in any
7 county or parish which is identified by the Sec-
8 retary as being a county or parish in which hur-
9 ricanes occurring during 2005 damaged (in the
10 aggregate) more than 40 percent of the housing
11 units in such county or parish which were occu-
12 pied (determined according to the 2000 Cen-
13 sus).”.

14 (b) EXTENSION NOT APPLICABLE TO INCREASED
15 SECTION 179 EXPENSING.—Paragraph (2) of section
16 1400N(e) is amended by inserting “without regard to sub-
17 section (d)(6)” after “subsection (d)(2)”.

18 (c) EFFECTIVE DATE.—The amendments made by
19 this section shall take effect as if included in section 101
20 of the Gulf Opportunity Zone Act of 2005.

21 **SEC. 222. AUTHORITY FOR UNDERCOVER OPERATIONS.**

22 Paragraph (6) of section 7608(c) (relating to applica-
23 tion of section) is amended by striking “2007” both places
24 it appears and inserting “2008”.

1 **SEC. 223. DISCLOSURES OF CERTAIN TAX RETURN INFOR-**
2 **MATION.**

3 (a) DISCLOSURES TO FACILITATE COMBINED EM-
4 PLOYMENT TAX REPORTING.—

5 (1) IN GENERAL.—Subparagraph (B) of section
6 6103(d)(5) (relating to termination) is amended by
7 striking “2006” and inserting “2007”.

8 (2) EFFECTIVE DATE.—The amendment made
9 by paragraph (1) shall apply to disclosures after De-
10 cember 31, 2006.

11 (b) DISCLOSURES RELATING TO TERRORIST ACTIVI-
12 TIES.—

13 (1) IN GENERAL.—Clause (iv) of section
14 6103(i)(3)(C) and subparagraph (E) of section
15 6103(i)(7) are each amended by striking “2006”
16 and inserting “2007”.

17 (2) EFFECTIVE DATE.—The amendments made
18 by paragraph (1) shall apply to disclosures after De-
19 cember 31, 2006.

20 (c) DISCLOSURES RELATING TO STUDENT LOANS.—

21 (1) IN GENERAL.—Subparagraph (D) of section
22 6103(l)(13) (relating to termination) is amended by
23 striking “2006” and inserting “2007”.

24 (2) EFFECTIVE DATE.—The amendment made
25 by paragraph (1) shall apply to requests made after
26 December 31, 2006.

1 **Subtitle B—Other Provisions**

2 **SEC. 231. DEDUCTION ALLOWABLE WITH RESPECT TO IN-**
3 **COME ATTRIBUTABLE TO DOMESTIC PRO-**
4 **DUCTION ACTIVITIES IN PUERTO RICO.**

5 (a) IN GENERAL.—Subsection (d) of section 199 (re-
6 relating to definitions and special rules) is amended by re-
7 designating paragraph (8) as paragraph (9) and by insert-
8 ing after paragraph (7) the following new paragraph:

9 “(8) TREATMENT OF ACTIVITIES IN PUERTO
10 RICO.—

11 “(A) IN GENERAL.—In the case of any
12 taxpayer with gross receipts for any taxable
13 year from sources within the Commonwealth of
14 Puerto Rico, if all of such receipts are taxable
15 under section 1 or 11 for such taxable year,
16 then for purposes of determining the domestic
17 production gross receipts of such taxpayer for
18 such taxable year under subsection (c)(4), the
19 term ‘United States’ shall include the Common-
20 wealth of Puerto Rico.

21 “(B) SPECIAL RULE FOR APPLYING WAGE
22 LIMITATION.—In the case of any taxpayer de-
23 scribed in subparagraph (A), for purposes of
24 applying the limitation under subsection (b) for
25 any taxable year, the determination of W-2

1 wages of such taxpayer shall be made without
2 regard to any exclusion under section
3 3401(a)(8) for remuneration paid for services
4 performed in Puerto Rico.

5 “(C) TERMINATION.—This paragraph shall
6 apply only with respect to the first 2 taxable
7 years of the taxpayer beginning after December
8 31, 2005, and before January 1, 2008.”.

9 (b) EFFECTIVE DATE.—The amendments made by
10 subsection (a) shall apply to taxable years beginning after
11 December 31, 2005.

12 **SEC. 232. CREDIT FOR PRIOR YEAR MINIMUM TAX LIABIL-**
13 **ITY MADE REFUNDABLE AFTER PERIOD OF**
14 **YEARS.**

15 (a) IN GENERAL.—Section 53 (relating to credit for
16 prior year minimum tax liability) is amended by adding
17 at the end the following new subsection:

18 “(e) SPECIAL RULE FOR INDIVIDUALS WITH LONG-
19 TERM UNUSED CREDITS.—

20 “(1) IN GENERAL.—If an individual has a long-
21 term unused minimum tax credit for any taxable
22 year beginning before January 1, 2013, the amount
23 determined under subsection (c) for such taxable
24 year shall not be less than the AMT refundable cred-
25 it amount for such taxable year.

1 “(2) AMT REFUNDABLE CREDIT AMOUNT.—For
2 purposes of paragraph (1)—

3 “(A) IN GENERAL.—The term ‘AMT re-
4 fundable credit amount’ means, with respect to
5 any taxable year, the amount equal to the
6 greater of—

7 “(i) the lesser of—

8 “(I) \$5,000, or

9 “(II) the amount of long-term
10 unused minimum tax credit for such
11 taxable year, or

12 “(ii) 20 percent of the amount of such
13 credit.

14 “(B) PHASEOUT OF AMT REFUNDABLE
15 CREDIT AMOUNT.—

16 “(i) IN GENERAL.—In the case of an
17 individual whose adjusted gross income for
18 any taxable year exceeds the threshold
19 amount (within the meaning of section
20 151(d)(3)(C)), the AMT refundable credit
21 amount determined under subparagraph
22 (A) for such taxable year shall be reduced
23 by the applicable percentage (within the
24 meaning of section 151(d)(3)(B)).

1 “(ii) ADJUSTED GROSS INCOME.—For
2 purposes of clause (i), adjusted gross in-
3 come shall be determined without regard to
4 sections 911, 931, and 933.

5 “(3) LONG-TERM UNUSED MINIMUM TAX CRED-
6 IT.—

7 “(A) IN GENERAL.—For purposes of this
8 subsection, the term ‘long-term unused min-
9 imum tax credit’ means, with respect to any
10 taxable year, the portion of the minimum tax
11 credit determined under subsection (b) attrib-
12 utable to the adjusted net minimum tax for tax-
13 able years before the 3rd taxable year imme-
14 diately preceding such taxable year.

15 “(B) FIRST-IN, FIRST-OUT ORDERING
16 RULE.—For purposes of subparagraph (A),
17 credits shall be treated as allowed under sub-
18 section (a) on a first-in, first-out basis.

19 “(4) CREDIT REFUNDABLE.—For purposes of
20 this title (other than this section), the credit allowed
21 by reason of this subsection shall be treated as if it
22 were allowed under subpart C.”.

23 (b) CONFORMING AMENDMENTS.—

24 (1) Section 6211(b)(4)(A) is amended by strik-
25 ing “and 34” and inserting “34, and 53(e)”.

1 (2) Paragraph (2) of section 1324(b) of title
2 31, United States Code, is amended by inserting “or
3 53(e)” after “section 35”.

4 (c) EFFECTIVE DATE.—The amendments made by
5 this section shall apply to taxable years beginning after
6 the date of the enactment of this Act.

7 **SEC. 233. RETURNS REQUIRED IN CONNECTION WITH CER-**
8 **TAIN OPTIONS.**

9 (a) IN GENERAL.—So much of section 6039(a) as fol-
10 lows paragraph (2) is amended to read as follows:

11 “shall, for such calendar year, make a return at such time
12 and in such manner, and setting forth such information,
13 as the Secretary may by regulations prescribe.”.

14 (b) STATEMENTS TO PERSONS WITH RESPECT TO
15 WHOM INFORMATION IS FURNISHED.—Section 6039 is
16 amended by redesignating subsections (b) and (c) as sub-
17 section (c) and (d), respectively, and by inserting after
18 subsection (a) the following new subsection:

19 “(b) STATEMENTS TO BE FURNISHED TO PERSONS
20 WITH RESPECT TO WHOM INFORMATION IS RE-
21 PORTED.—Every corporation making a return under sub-
22 section (a) shall furnish to each person whose name is set
23 forth in such return a written statement setting forth such
24 information as the Secretary may by regulations prescribe.
25 The written statement required under the preceding sen-

1 tence shall be furnished to such person on or before Janu-
2 ary 31 of the year following the calendar year for which
3 the return under subsection (a) was made.”.

4 (c) CONFORMING AMENDMENTS.—

5 (1) Section 6724(d)(1)(B) is amended by strik-
6 ing “or” at the end of clause (xvii), by striking
7 “and” at the end of clause (xviii) and inserting “or”,
8 and by adding at the end the following new clause:

9 “(xix) section 6039(a) (relating to re-
10 turns required with respect to certain op-
11 tions), and”.

12 (2) Section 6724(d)(2)(B) is amended by strik-
13 ing “section 6039(a)” and inserting “section
14 6039(b)”.

15 (3) The heading of section 6039 and the item
16 relating to such section in the table of sections of
17 subpart A of part III of subchapter A of chapter 61
18 of such Code are each amended by striking “Infor-
19 mation” and inserting “Returns”.

20 (4) The heading of subsection (a) of section
21 6039 is amended by striking “FURNISHING OF IN-
22 FORMATION” and inserting “REQUIREMENT OF RE-
23 PORTING”.

1 (d) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to calendar years beginning after
3 the date of the enactment of this Act.

4 **SEC. 234. PARTIAL EXPENSING FOR ADVANCED MINE SAFE-**
5 **TY EQUIPMENT.**

6 (a) IN GENERAL.—Part VI of subchapter B of chap-
7 ter 1 is amended by inserting after section 179D the fol-
8 lowing new section:

9 **“SEC. 179E. ELECTION TO EXPENSE ADVANCED MINE SAFE-**
10 **TY EQUIPMENT.**

11 “(a) TREATMENT AS EXPENSES.—A taxpayer may
12 elect to treat 50 percent of the cost of any qualified ad-
13 vanced mine safety equipment property as an expense
14 which is not chargeable to capital account. Any cost so
15 treated shall be allowed as a deduction for the taxable year
16 in which the qualified advanced mine safety equipment
17 property is placed in service.

18 “(b) ELECTION.—

19 “(1) IN GENERAL.—An election under this sec-
20 tion for any taxable year shall be made on the tax-
21 payer’s return of the tax imposed by this chapter for
22 the taxable year. Such election shall specify the ad-
23 vanced mine safety equipment property to which the
24 election applies and shall be made in such manner
25 as the Secretary may by regulations prescribe.

1 “(2) ELECTION IRREVOCABLE.—Any election
2 made under this section may not be revoked except
3 with the consent of the Secretary.

4 “(c) QUALIFIED ADVANCED MINE SAFETY EQUIP-
5 MENT PROPERTY.—For purposes of this section, the term
6 ‘qualified advanced mine safety equipment property’
7 means any advanced mine safety equipment property for
8 use in any underground mine located in the United
9 States—

10 “(1) the original use of which commences with
11 the taxpayer, and

12 “(2) which is placed in service by the taxpayer
13 after the date of the enactment of this section.

14 “(d) ADVANCED MINE SAFETY EQUIPMENT PROP-
15 ERTY.—For purposes of this section, the term ‘advanced
16 mine safety equipment property’ means any of the fol-
17 lowing:

18 “(1) Emergency communication technology or
19 device which is used to allow a miner to maintain
20 constant communication with an individual who is
21 not in the mine.

22 “(2) Electronic identification and location de-
23 vice which allows an individual who is not in the
24 mine to track at all times the movements and loca-
25 tion of miners working in or at the mine.

1 “(3) Emergency oxygen-generating, self-rescue
2 device which provides oxygen for at least 90 min-
3 utes.

4 “(4) Pre-positioned supplies of oxygen which (in
5 combination with self-rescue devices) can be used to
6 provide each miner on a shift, in the event of an ac-
7 cident or other event which traps the miner in the
8 mine or otherwise necessitates the use of such a self-
9 rescue device, the ability to survive for at least 48
10 hours.

11 “(5) Comprehensive atmospheric monitoring
12 system which monitors the levels of carbon mon-
13 oxide, methane, and oxygen that are present in all
14 areas of the mine and which can detect smoke in the
15 case of a fire in a mine.

16 “(e) COORDINATION WITH SECTION 179.—No ex-
17 penditures shall be taken into account under subsection
18 (a) with respect to the portion of the cost of any property
19 specified in an election under section 179.

20 “(f) REPORTING.—No deduction shall be allowed
21 under subsection (a) to any taxpayer for any taxable year
22 unless such taxpayer files with the Secretary a report con-
23 taining such information with respect to the operation of
24 the mines of the taxpayer as the Secretary shall require.

1 “(g) TERMINATION.—This section shall not apply to
2 property placed in service after December 31, 2008.”.

3 (b) CONFORMING AMENDMENTS.—

4 (1) Section 263(a)(1) is amended by striking
5 “or” at the end of subparagraph (J), by striking the
6 period at the end of subparagraph (K) and inserting
7 “, or”, and by inserting after subparagraph (K) the
8 following new subparagraph:

9 “(L) expenditures for which a deduction is
10 allowed under section 179E.”.

11 (2) Section 312(k)(3)(B) is amended by strik-
12 ing “or 179D” each place it appears in the heading
13 and text thereof and inserting “179D, or 179E”.

14 (3) Paragraphs (2)(C) and (3)(C) of section
15 1245(a) are each amended by inserting “179E,”
16 after “179D,”.

17 (4) The table of sections for part VI of sub-
18 chapter B of chapter 1 is amended by inserting after
19 the item relating to section 179D the following new
20 item:

“Sec. 179E. Election to expense advanced mine safety equipment.”.

21 (c) EFFECTIVE DATE.—The amendments made by
22 this section shall apply to costs paid or incurred after the
23 date of the enactment of this Act.

1 **SEC. 235. MINE RESCUE TEAM TRAINING TAX CREDIT.**

2 (a) IN GENERAL.—Subpart D of part IV of sub-
3 chapter A of chapter 1 (relating to business related cred-
4 its) is amended by adding at the end the following new
5 section:

6 **“SEC. 45N. MINE RESCUE TEAM TRAINING CREDIT.**

7 “(a) AMOUNT OF CREDIT.—For purposes of section
8 38, the mine rescue team training credit determined under
9 this section with respect to each qualified mine rescue
10 team employee of an eligible employer for any taxable year
11 is an amount equal to the lesser of—

12 “(1) 20 percent of the amount paid or incurred
13 by the taxpayer during the taxable year with respect
14 to the training program costs of such qualified mine
15 rescue team employee (including wages of such em-
16 ployee while attending such program), or

17 “(2) \$10,000.

18 “(b) QUALIFIED MINE RESCUE TEAM EMPLOYEE.—

19 For purposes of this section, the term ‘qualified mine res-
20 cue team employee’ means with respect to any taxable year
21 any full-time employee of the taxpayer who is—

22 “(1) a miner eligible for more than 6 months
23 of such taxable year to serve as a mine rescue team
24 member as a result of completing, at a minimum, an
25 initial 20-hour course of instruction as prescribed by

1 the Mine Safety and Health Administration’s Office
2 of Educational Policy and Development, or

3 “(2) a miner eligible for more than 6 months
4 of such taxable year to serve as a mine rescue team
5 member by virtue of receiving at least 40 hours of
6 refresher training in such instruction.

7 “(c) ELIGIBLE EMPLOYER.—For purposes of this
8 section, the term ‘eligible employer’ means any taxpayer
9 which employs individuals as miners in underground mines
10 in the United States.

11 “(d) WAGES.—For purposes of this section, the term
12 ‘wages’ has the meaning given to such term by subsection
13 (b) of section 3306 (determined without regard to any dol-
14 lar limitation contained in such section).

15 “(e) TERMINATION.—This section shall not apply to
16 taxable years beginning after December 31, 2008.”.

17 (b) CREDIT MADE PART OF GENERAL BUSINESS
18 CREDIT.—Section 38(b) is amended by striking “and” at
19 the end of paragraph (29), by striking the period at the
20 end of paragraph (30) and inserting “, plus”, and by add-
21 ing at the end the following new paragraph:

22 “(31) the mine rescue team training credit de-
23 termined under section 45N(a).”.

24 (c) NO DOUBLE BENEFIT.—Section 280C is amend-
25 ed by adding at the end the following new subsection:

1 “(e) MINE RESCUE TEAM TRAINING CREDIT.—No
2 deduction shall be allowed for that portion of the expenses
3 otherwise allowable as a deduction for the taxable year
4 which is equal to the amount of the credit determined for
5 the taxable year under section 45N(a).”.

6 (d) CLERICAL AMENDMENT.—The table of sections
7 for subpart D of part IV of subchapter A of chapter 1
8 is amended by adding at the end the following new item:

“Sec. 45N. Mine rescue team training credit.”.

9 (e) EFFECTIVE DATE.—The amendments made by
10 this section shall apply to taxable years beginning after
11 December 31, 2005.

12 **SEC. 236. WHISTLEBLOWER REFORMS.**

13 (a) AWARDS TO WHISTLEBLOWERS.—

14 (1) IN GENERAL.—Section 7623 (relating to ex-
15 penses of detection of underpayments and fraud,
16 etc.) is amended—

17 (A) by striking “The Secretary” and in-
18 serting “(a) IN GENERAL.—The Secretary”,

19 (B) by striking “and” at the end of para-
20 graph (1) and inserting “or”,

21 (C) by striking “(other than interest)”,
22 and

23 (D) by adding at the end the following new
24 subsection:

25 “(b) AWARDS TO WHISTLEBLOWERS.—

1 “(1) IN GENERAL.—If the Secretary proceeds
2 with any administrative or judicial action described
3 in subsection (a) based on information brought to
4 the Secretary’s attention by an individual, such indi-
5 vidual shall, subject to paragraph (2), receive as an
6 award at least 15 percent but not more than 30 per-
7 cent of the collected proceeds (including penalties,
8 interest, additions to tax, and additional amounts)
9 resulting from the action (including any related ac-
10 tions) or from any settlement in response to such ac-
11 tion. The determination of the amount of such
12 award by the Whistleblower Office shall depend upon
13 the extent to which the individual substantially con-
14 tributed to such action.

15 “(2) AWARD IN CASE OF LESS SUBSTANTIAL
16 CONTRIBUTION.—

17 “(A) IN GENERAL.—In the event the ac-
18 tion described in paragraph (1) is one which the
19 Whistleblower Office determines to be based
20 principally on disclosures of specific allegations
21 (other than information provided by the indi-
22 vidual described in paragraph (1)) resulting
23 from a judicial or administrative hearing, from
24 a governmental report, hearing, audit, or inves-
25 tigation, or from the news media, the Whistle-

1 blower Office may award such sums as it con-
2 siders appropriate, but in no case more than 10
3 percent of the collected proceeds (including pen-
4 alties, interest, additions to tax, and additional
5 amounts) resulting from the action (including
6 any related actions) or from any settlement in
7 response to such action, taking into account the
8 significance of the individual's information and
9 the role of such individual and any legal rep-
10 resentative of such individual in contributing to
11 such action.

12 “(B) NONAPPLICATION OF PARAGRAPH
13 WHERE INDIVIDUAL IS ORIGINAL SOURCE OF
14 INFORMATION.—Subparagraph (A) shall not
15 apply if the information resulting in the initi-
16 ation of the action described in paragraph (1)
17 was originally provided by the individual de-
18 scribed in paragraph (1).

19 “(3) REDUCTION IN OR DENIAL OF AWARD.—
20 If the Whistleblower Office determines that the
21 claim for an award under paragraph (1) or (2) is
22 brought by an individual who planned and initiated
23 the actions that led to the underpayment of tax or
24 actions described in subsection (a)(2), then the
25 Whistleblower Office may appropriately reduce such

1 award. If such individual is convicted of criminal
2 conduct arising from the role described in the pre-
3 ceding sentence, the Whistleblower Office shall deny
4 any award.

5 “(4) APPEAL OF AWARD DETERMINATION.—
6 Any determination regarding an award under para-
7 graph (1), (2), or (3) may, within 30 days of such
8 determination, be appealed to the Tax Court (and
9 the Tax Court shall have jurisdiction with respect to
10 such matter).

11 “(5) APPLICATION OF THIS SUBSECTION.—This
12 subsection shall apply with respect to any action—

13 “(A) against any taxpayer, but in the case
14 of any individual, only if such individual’s gross
15 income exceeds \$200,000 for any taxable year
16 subject to such action, and

17 “(B) if the tax, penalties, interest, addi-
18 tions to tax, and additional amounts in dispute
19 exceed \$2,000,000.

20 “(6) ADDITIONAL RULES.—

21 “(A) NO CONTRACT NECESSARY.—No con-
22 tract with the Internal Revenue Service is nec-
23 essary for any individual to receive an award
24 under this subsection.

1 “(B) REPRESENTATION.—Any individual
2 described in paragraph (1) or (2) may be rep-
3 resented by counsel.

4 “(C) SUBMISSION OF INFORMATION.—No
5 award may be made under this subsection
6 based on information submitted to the Sec-
7 retary unless such information is submitted
8 under penalty of perjury.”.

9 (2) ASSIGNMENT TO SPECIAL TRIAL JUDGES.—

10 (A) IN GENERAL.—Section 7443A(b) (re-
11 lating to proceedings which may be assigned to
12 special trial judges) is amended by striking
13 “and” at the end of paragraph (4), by redesign-
14 ating paragraph (5) as paragraph (6), and by
15 inserting after paragraph (4) the following new
16 paragraph:

17 “(5) any proceeding under section 7623(b)(4),
18 and”.

19 (B) CONFORMING AMENDMENT.—Section
20 7443A(c) is amended by striking “or (4)” and
21 inserting “(4), or (5)”.

22 (3) DEDUCTION ALLOWED WHETHER OR NOT
23 TAXPAYER ITEMIZES.—Subsection (a) of section 62
24 (relating to general rule defining adjusted gross in-

1 come) is amended by inserting after paragraph (20)
2 the following new paragraph:

3 “(21) ATTORNEYS FEES RELATING TO AWARDS
4 TO WHISTLEBLOWERS.—Any deduction allowable
5 under this chapter for attorney fees and court costs
6 paid by, or on behalf of, the taxpayer in connection
7 with any award under section 7623(b) (relating to
8 awards to whistleblowers). The preceding sentence
9 shall not apply to any deduction in excess of the
10 amount includible in the taxpayer’s gross income for
11 the taxable year on account of such award.”.

12 (b) WHISTLEBLOWER OFFICE.—

13 (1) IN GENERAL.—Not later than the date
14 which is 12 months after the date of the enactment
15 of this Act, the Secretary of the Treasury shall issue
16 guidance for the operation of a whistleblower pro-
17 gram to be administered in the Internal Revenue
18 Service by an office to be known as the “Whistle-
19 blower Office” which—

20 (A) shall at all times operate at the direc-
21 tion of the Commissioner of Internal Revenue
22 and coordinate and consult with other divisions
23 in the Internal Revenue Service as directed by
24 the Commissioner of Internal Revenue,

1 (B) shall analyze information received from
2 any individual described in section 7623(b) of
3 the Internal Revenue Code of 1986 and either
4 investigate the matter itself or assign it to the
5 appropriate Internal Revenue Service office,
6 and

7 (C) in its sole discretion, may ask for addi-
8 tional assistance from such individual or any
9 legal representative of such individual.

10 (2) REQUEST FOR ASSISTANCE.—The guidance
11 issued under paragraph (1) shall specify that any as-
12 sistance requested under paragraph (1)(C) shall be
13 under the direction and control of the Whistleblower
14 Office or the office assigned to investigate the mat-
15 ter under paragraph (1)(A). No individual or legal
16 representative whose assistance is so requested may
17 by reason of such request represent himself or her-
18 self as an employee of the Federal Government.

19 (c) REPORT BY SECRETARY.—The Secretary of the
20 Treasury shall each year conduct a study and report to
21 Congress on the use of section 7623 of the Internal Rev-
22 enue Code of 1986, including—

23 (1) an analysis of the use of such section dur-
24 ing the preceding year and the results of such use,
25 and

1 (2) any legislative or administrative rec-
2 ommendations regarding the provisions of such sec-
3 tion and its application.

4 (d) EFFECTIVE DATE.—The amendments made by
5 subsection (a) shall apply to information provided on or
6 after the date of the enactment of this Act.

7 **SEC. 237. FRIVOLOUS TAX SUBMISSIONS.**

8 (a) CIVIL PENALTIES.—Section 6702 is amended to
9 read as follows:

10 **“SEC. 6702. FRIVOLOUS TAX SUBMISSIONS.**

11 “(a) CIVIL PENALTY FOR FRIVOLOUS TAX RE-
12 TURNS.—A person shall pay a penalty of \$5,000 if—

13 “(1) such person files what purports to be a re-
14 turn of a tax imposed by this title but which—

15 “(A) does not contain information on
16 which the substantial correctness of the self-as-
17 sessment may be judged, or

18 “(B) contains information that on its face
19 indicates that the self-assessment is substan-
20 tially incorrect, and

21 “(2) the conduct referred to in paragraph (1)—

22 “(A) is based on a position which the Sec-
23 retary has identified as frivolous under sub-
24 section (c), or

1 “(B) reflects a desire to delay or impede
2 the administration of Federal tax laws.

3 “(b) CIVIL PENALTY FOR SPECIFIED FRIVOLOUS
4 SUBMISSIONS.—

5 “(1) IMPOSITION OF PENALTY.—Except as pro-
6 vided in paragraph (3), any person who submits a
7 specified frivolous submission shall pay a penalty of
8 \$5,000.

9 “(2) SPECIFIED FRIVOLOUS SUBMISSION.—For
10 purposes of this section—

11 “(A) SPECIFIED FRIVOLOUS SUBMIS-
12 SION.—The term ‘specified frivolous submis-
13 sion’ means a specified submission if any por-
14 tion of such submission—

15 “(i) is based on a position which the
16 Secretary has identified as frivolous under
17 subsection (c), or

18 “(ii) reflects a desire to delay or im-
19 pede the administration of Federal tax
20 laws.

21 “(B) SPECIFIED SUBMISSION.—The term
22 ‘specified submission’ means—

23 “(i) a request for a hearing under—

1 “(I) section 6320 (relating to no-
2 tice and opportunity for hearing upon
3 filing of notice of lien), or

4 “(II) section 6330 (relating to
5 notice and opportunity for hearing be-
6 fore levy), and

7 “(ii) an application under—

8 “(I) section 6159 (relating to
9 agreements for payment of tax liabil-
10 ity in installments),

11 “(II) section 7122 (relating to
12 compromises), or

13 “(III) section 7811 (relating to
14 taxpayer assistance orders).

15 “(3) OPPORTUNITY TO WITHDRAW SUBMIS-
16 SION.—If the Secretary provides a person with no-
17 tice that a submission is a specified frivolous sub-
18 mission and such person withdraws such submission
19 within 30 days after such notice, the penalty im-
20 posed under paragraph (1) shall not apply with re-
21 spect to such submission.

22 “(c) LISTING OF FRIVOLOUS POSITIONS.—The Sec-
23 retary shall prescribe (and periodically revise) a list of po-
24 sitions which the Secretary has identified as being frivo-
25 lous for purposes of this subsection. The Secretary shall

1 not include in such list any position that the Secretary
2 determines meets the requirement of section
3 6662(d)(2)(B)(ii)(II).

4 “(d) REDUCTION OF PENALTY.—The Secretary may
5 reduce the amount of any penalty imposed under this sec-
6 tion if the Secretary determines that such reduction would
7 promote compliance with and administration of the Fed-
8 eral tax laws.

9 “(e) PENALTIES IN ADDITION TO OTHER PEN-
10 ALTIES.—The penalties imposed by this section shall be
11 in addition to any other penalty provided by law.”.

12 (b) TREATMENT OF FRIVOLOUS REQUESTS FOR
13 HEARINGS BEFORE LEVY.—

14 (1) FRIVOLOUS REQUESTS DISREGARDED.—
15 Section 6330 (relating to notice and opportunity for
16 hearing before levy) is amended by adding at the
17 end the following new subsection:

18 “(g) FRIVOLOUS REQUESTS FOR HEARING, ETC.—
19 Notwithstanding any other provision of this section, if the
20 Secretary determines that any portion of a request for a
21 hearing under this section or section 6320 meets the re-
22 quirement of clause (i) or (ii) of section 6702(b)(2)(A),
23 then the Secretary may treat such portion as if it were
24 never submitted and such portion shall not be subject to
25 any further administrative or judicial review.”.

1 (2) PRECLUSION FROM RAISING FRIVOLOUS
2 ISSUES AT HEARING.—Section 6330(c)(4) is amend-
3 ed—

4 (A) by striking “(A)” and inserting
5 “(A)(i)”;

6 (B) by striking “(B)” and inserting “(ii)”;

7 (C) by striking the period at the end of the
8 first sentence and inserting “; or”; and

9 (D) by inserting after subparagraph (A)(ii)
10 (as so redesignated) the following:

11 “(B) the issue meets the requirement of
12 clause (i) or (ii) of section 6702(b)(2)(A).”.

13 (3) STATEMENT OF GROUNDS.—Section
14 6330(b)(1) is amended by striking “under sub-
15 section (a)(3)(B)” and inserting “in writing under
16 subsection (a)(3)(B) and states the grounds for the
17 requested hearing”.

18 (c) TREATMENT OF FRIVOLOUS REQUESTS FOR
19 HEARINGS UPON FILING OF NOTICE OF LIEN.—Section
20 6320 is amended—

21 (1) in subsection (b)(1), by striking “under sub-
22 section (a)(3)(B)” and inserting “in writing under
23 subsection (a)(3)(B) and states the grounds for the
24 requested hearing”, and

1 (2) in subsection (c), by striking “and (e)” and
2 inserting “(e), and (g)”.

3 (d) TREATMENT OF FRIVOLOUS APPLICATIONS FOR
4 OFFERS-IN-COMPROMISE AND INSTALLMENT AGREE-
5 MENTS.—Section 7122 is amended by adding at the end
6 the following new subsection:

7 “(f) FRIVOLOUS SUBMISSIONS, ETC.—Notwith-
8 standing any other provision of this section, if the Sec-
9 retary determines that any portion of an application for
10 an offer-in-compromise or installment agreement sub-
11 mitted under this section or section 6159 meets the re-
12 quirement of clause (i) or (ii) of section 6702(b)(2)(A),
13 then the Secretary may treat such portion as if it were
14 never submitted and such portion shall not be subject to
15 any further administrative or judicial review.”.

16 (e) CLERICAL AMENDMENT.—The table of sections
17 for part I of subchapter B of chapter 68 is amended by
18 striking the item relating to section 6702 and inserting
19 the following new item:

“Sec. 6702. Frivolous tax submissions.”.

20 (f) EFFECTIVE DATE.—The amendments made by
21 this section shall apply to submissions made and issues
22 raised after the date on which the Secretary first pre-
23 scribes a list under section 6702(e) of the Internal Rev-
24 enue Code of 1986, as amended by subsection (a).

1 **SEC. 238. ADDITION OF MENINGOCOCCAL AND HUMAN**
2 **PAPILLOMAVIRUS VACCINES TO LIST OF TAX-**
3 **ABLE VACCINES.**

4 (a) **MENINGOCOCCAL VACCINE.**—Section 4132(a)(1)
5 (defining taxable vaccine) is amended by adding at the end
6 the following new subparagraph:

7 “(O) Any meningococcal vaccine.”.

8 (b) **HUMAN PAPILLOMAVIRUS VACCINE.**—Section
9 4132(a)(1), as amended by subsection (a), is amended by
10 adding at the end the following new subparagraph:

11 “(P) Any vaccine against the human
12 papillomavirus.”.

13 (c) **EFFECTIVE DATE.**—

14 (1) **SALES, ETC.**—The amendments made by
15 this section shall apply to sales and uses on or after
16 the first day of the first month which begins more
17 than 4 weeks after the date of the enactment of this
18 Act.

19 (2) **DELIVERIES.**—For purposes of paragraph
20 (1) and section 4131 of the Internal Revenue Code
21 of 1986, in the case of sales on or before the effec-
22 tive date described in such paragraph for which de-
23 livery is made after such date, the delivery date shall
24 be considered the sale date.

1 **SEC. 239. CLARIFICATION OF TAXATION OF CERTAIN SET-**
2 **TLEMENT FUNDS MADE PERMANENT.**

3 (a) IN GENERAL.—Subsection (g) of section 468B,
4 as amended by section 201 of the Tax Increase Prevention
5 and Reconciliation Act of 2005, is amended by striking
6 paragraph (3).

7 (b) EFFECTIVE DATE.—The amendment made by
8 this section shall take effect as if included in section 201
9 of the Tax Increase Prevention and Reconciliation Act of
10 2005.

11 **SEC. 240. MODIFICATION OF ACTIVE BUSINESS DEFINITION**
12 **UNDER SECTION 355 MADE PERMANENT.**

13 (a) IN GENERAL.—Subparagraphs (A) and (D) of
14 section 355(b)(3), as amended by section 202 of the Tax
15 Increase Prevention and Reconciliation Act of 2005, are
16 each amended by striking “and on or before December 31,
17 2010”.

18 (b) EFFECTIVE DATE.—The amendments made by
19 this section shall take effect as if included in section 202
20 of the Tax Increase Prevention and Reconciliation Act of
21 2005.

22 **SEC. 241. REVISION OF STATE VETERANS LIMIT MADE PER-**
23 **MANENT.**

24 (a) IN GENERAL.—Subparagraph (B) of section
25 143(l)(3), as amended by section 203 of the Tax Increase

1 Prevention and Reconciliation Act of 2005, is amended by
2 striking clause (iv).

3 (b) EFFECTIVE DATE.—The amendment made by
4 this section shall take effect as if included in section 203
5 of the Tax Increase Prevention and Reconciliation Act of
6 2005.

7 **SEC. 242. CAPITAL GAINS TREATMENT FOR CERTAIN SELF-**
8 **CREATED MUSICAL WORKS MADE PERMA-**
9 **NENT.**

10 (a) IN GENERAL.—Paragraph (3) of section 1221(b),
11 as amended by section 204 of the Tax Increase Prevention
12 and Reconciliation Act of 2005, is amended by striking
13 “before January 1, 2011,”.

14 (b) EFFECTIVE DATE.—The amendment made by
15 this section shall take effect as if included in section 204
16 of the Tax Increase Prevention and Reconciliation Act of
17 2005.

18 **SEC. 243. REDUCTION IN MINIMUM VESSEL TONNAGE**
19 **WHICH QUALIFIES FOR TONNAGE TAX MADE**
20 **PERMANENT.**

21 (a) IN GENERAL.—Paragraph (4) of section 1355(a),
22 as amended by section 205 of the Tax Increase Prevention
23 and Reconciliation Act of 2005, is amended by striking
24 “10,000 (6,000, in the case of taxable years beginning

1 after December 31, 2005, and ending before January 1,
2 2011)” and inserting “6,000”.

3 (b) EFFECTIVE DATE.—The amendment made by
4 this section shall take effect as if included in section 205
5 of the Tax Increase Prevention and Reconciliation Act of
6 2005.

7 **SEC. 244. MODIFICATION OF SPECIAL ARBITRAGE RULE**
8 **FOR CERTAIN FUNDS MADE PERMANENT.**

9 (a) IN GENERAL.—Section 206 of the Tax Increase
10 Prevention and Reconciliation Act of 2005 is amended by
11 striking “and before August 31, 2009”.

12 (b) EFFECTIVE DATE.—The amendment made by
13 this section shall take effect as if included in section 206
14 of the Tax Increase Prevention and Reconciliation Act of
15 2005.

16 **SEC. 245. GREAT LAKES DOMESTIC SHIPPING TO NOT DIS-**
17 **QUALIFY VESSEL FROM TONNAGE TAX.**

18 (a) IN GENERAL.—Section 1355 (relating to defini-
19 tions and special rules) is amended by redesignating sub-
20 section (g) as subsection (h) and by inserting after sub-
21 section (f) the following new subsection:

22 “(g) GREAT LAKES DOMESTIC SHIPPING TO NOT
23 DISQUALIFY VESSEL.—

24 “(1) IN GENERAL.—If the electing corporation
25 elects (at such time and in such manner as the Sec-

1 retary may require) to apply this subsection for any
2 taxable year to any qualifying vessel which is used
3 in qualified zone domestic trade during the taxable
4 year—

5 “(A) solely for purposes of subsection
6 (a)(4), such use shall be treated as use in
7 United States foreign trade (and not as use in
8 United States domestic trade), and

9 “(B) subsection (f) shall not apply with re-
10 spect to such vessel for such taxable year.

11 “(2) EFFECT OF TEMPORARILY OPERATING
12 VESSEL IN UNITED STATES DOMESTIC TRADE.—In
13 the case of a qualifying vessel to which this sub-
14 section applies—

15 “(A) IN GENERAL.—An electing corpora-
16 tion shall be treated as using such vessel in
17 qualified zone domestic trade during any period
18 of temporary use in the United States domestic
19 trade (other than qualified zone domestic trade)
20 if the electing corporation gives timely notice to
21 the Secretary stating—

22 “(i) that it temporarily operates or
23 has operated in the United States domestic
24 trade (other than qualified zone domestic
25 trade) a qualifying vessel which had been

1 used in the United States foreign trade or
2 qualified zone domestic trade, and

3 “(ii) its intention to resume operation
4 of the vessel in the United States foreign
5 trade or qualified zone domestic trade.

6 “(B) NOTICE.—Notice shall be deemed
7 timely if given not later than the due date (in-
8 cluding extensions) for the corporation’s tax re-
9 turn for the taxable year in which the tem-
10 porary cessation begins.

11 “(C) PERIOD DISREGARD IN EFFECT.—
12 The period of temporary use under subpara-
13 graph (A) continues until the earlier of the date
14 of which—

15 “(i) the electing corporation abandons
16 its intention to resume operations of the
17 vessel in the United States foreign trade or
18 qualified zone domestic trade, or

19 “(ii) the electing corporation resumes
20 operation of the vessel in the United States
21 foreign trade or qualified zone domestic
22 trade.

23 “(D) NO DISREGARD IF DOMESTIC TRADE
24 USE EXCEEDS 30 DAYS.—Subparagraph (A)
25 shall not apply to any qualifying vessel which is

1 operated in the United States domestic trade
2 (other than qualified zone domestic trade) for
3 more than 30 days during the taxable year.

4 “(3) ALLOCATION OF INCOME AND DEDUC-
5 TIONS TO QUALIFYING SHIPPING ACTIVITIES.—In
6 the case of a qualifying vessel to which this sub-
7 section applies, the Secretary shall prescribe rules
8 for the proper allocation of income, expenses, losses,
9 and deductions between the qualified shipping activi-
10 ties and the other activities of such vessel.

11 “(4) QUALIFIED ZONE DOMESTIC TRADE.—For
12 purposes of this subsection—

13 “(A) IN GENERAL.—The term ‘qualified
14 zone domestic trade’ means the transportation
15 of goods or passengers between places in the
16 qualified zone if such transportation is in the
17 United States domestic trade.

18 “(B) QUALIFIED ZONE.—The term ‘quali-
19 fied zone’ means the Great Lakes Waterway
20 and the St. Lawrence Seaway.”.

21 (b) EFFECTIVE DATE.—The amendments made by
22 this section shall apply to taxable years beginning after
23 the date of the enactment of this Act.

1 **SEC. 246. USE OF QUALIFIED MORTGAGE BONDS TO FI-**
2 **NANCE RESIDENCES FOR VETERANS WITH-**
3 **OUT REGARD TO FIRST-TIME HOMEBUYER**
4 **REQUIREMENT.**

5 (a) IN GENERAL.—Section 143(d)(2) (relating to ex-
6 ceptions to 3-year requirement) is amended by striking
7 “and” at the end of subparagraph (B), by adding “and”
8 at the end of subparagraph (C), and by inserting after
9 subparagraph (C) the following new subparagraph:

10 “(D) in the case of bonds issued after the
11 date of the enactment of this subparagraph and
12 before January 1, 2008, financing of any resi-
13 dence for a veteran (as defined in section 101
14 of title 38, United States Code), if such veteran
15 has not previously qualified for and received
16 such financing by reason of this subpara-
17 graph,”.

18 (b) EFFECTIVE DATE.—The amendments made by
19 this section shall apply to bonds issued after the date of
20 the enactment of this Act.

21 **SEC. 247. EXCLUSION OF GAIN FROM SALE OF A PRINCIPAL**
22 **RESIDENCE BY CERTAIN EMPLOYEES OF THE**
23 **INTELLIGENCE COMMUNITY.**

24 (a) IN GENERAL.—Subparagraph (A) of section
25 121(d)(9) (relating to exclusion of gain from sale of prin-

1 cipal residence) is amended by striking “duty” and all that
2 follows and inserting “duty—

3 “(i) as a member of the uniformed
4 services,

5 “(ii) as a member of the Foreign
6 Service of the United States, or

7 “(iii) as an employee of the intel-
8 ligence community.”.

9 (b) EMPLOYEE OF INTELLIGENCE COMMUNITY DE-
10 FINED.—Subparagraph (C) of section 121(d)(9) is amend-
11 ed by redesignating clause (iv) as clause (v) and by insert-
12 ing after clause (iii) the following new clause:

13 “(iv) EMPLOYEE OF INTELLIGENCE
14 COMMUNITY.—The term ‘employee of the
15 intelligence community’ means an employee
16 (as defined by section 2105 of title 5,
17 United States Code) of—

18 “(I) the Office of the Director of
19 National Intelligence,

20 “(II) the Central Intelligence
21 Agency,

22 “(III) the National Security
23 Agency,

24 “(IV) the Defense Intelligence
25 Agency,

1 “(V) the National Geospatial-In-
2 telligence Agency,

3 “(VI) the National Reconnaissance Office,

4 “(VII) any other office within the
5 Department of Defense for the collec-
6 tion of specialized national intelligence
7 through reconnaissance programs,

8 “(VIII) any of the intelligence
9 elements of the Army, the Navy, the
10 Air Force, the Marine Corps, the Fed-
11 eral Bureau of Investigation, the De-
12 partment of Treasury, the Depart-
13 ment of Energy, and the Coast
14 Guard,

15 “(IX) the Bureau of Intelligence
16 and Research of the Department of
17 State, or
18 State, or

19 “(X) any of the elements of the
20 Department of Homeland Security
21 concerned with the analyses of foreign
22 intelligence information.”.

23 (c) SPECIAL RULE.—Subparagraph (C) of section
24 121(d)(9), as amended by subsection (b), is amended by
25 adding at the end the following new clause:

1 “(vi) SPECIAL RULE RELATING TO IN-
2 TELLIGENCE COMMUNITY.—An employee
3 of the intelligence community shall not be
4 treated as serving on qualified extended
5 duty unless such duty is at a duty station
6 located outside the United States.”.

7 (d) CONFORMING AMENDMENT.—The heading for
8 section 121(d)(9) is amended to read as follows: “UNI-
9 FORMED SERVICES, FOREIGN SERVICE, AND INTEL-
10 LIGENCE COMMUNITY”.

11 (e) EFFECTIVE DATE.—The amendments made by
12 this section shall apply to sales or exchanges after the date
13 of the enactment of this Act and before January 1, 2011.

14 **SEC. 248. TREATMENT OF COKE AND COKE GAS.**

15 (a) NONAPPLICATION OF PHASEOUT.—Section
16 45K(g)(2) is amended by adding at the end the following
17 new subparagraph:

18 “(D) NONAPPLICATION OF PHASEOUT.—
19 Subsection (b)(1) shall not apply.”.

20 (b) CLARIFICATION OF QUALIFYING FACILITY.—Sec-
21 tion 45K(g)(1) is amended by inserting “(other than from
22 petroleum based products)” after “coke or coke gas”.

23 (c) EFFECTIVE DATE.—The amendments made by
24 this section shall take effect as if included in section 1321
25 of the Energy Policy Act of 2005.

1 **SEC. 249. SALE OF PROPERTY BY JUDICIAL OFFICERS.**

2 (a) IN GENERAL.—Section 1043(b) (relating to the
3 sale of property to comply with conflict-of-interest require-
4 ments) is amended—

5 (1) in paragraph (1)—

6 (A) in subparagraph (A), by inserting “, or
7 a judicial officer,” after “an officer or employee
8 of the executive branch”; and

9 (B) in subparagraph (B), by inserting “ju-
10 dicial canon,” after “any statute, regulation,
11 rule,”;

12 (2) in paragraph (2)—

13 (A) in subparagraph (A), by inserting “ju-
14 dicial canon,” after “any Federal conflict of in-
15 terest statute, regulation, rule,”; and

16 (B) in subparagraph (B), by inserting
17 after “the Director of the Office of Government
18 Ethics,” the following: “in the case of executive
19 branch officers or employees, or by the Judicial
20 Conference of the United States (or its des-
21 ignee), in the case of judicial officers,”; and

22 (3) in paragraph (5)(B), by inserting “judicial
23 canon,” after “any statute, regulation, rule,”.

24 (b) JUDICIAL OFFICER DEFINED.—Section 1043(b)
25 is amended by adding at the end the following new para-
26 graph:

1 “(6) JUDICIAL OFFICER.—The term ‘judicial
2 officer’ means the Chief Justice of the United
3 States, the Associate Justices of the Supreme Court,
4 and the judges of the United States courts of ap-
5 peals, United States district courts, including the
6 district courts in Guam, the Northern Mariana Is-
7 lands, and the Virgin Islands, Court of Appeals for
8 the Federal Circuit, Court of International Trade,
9 Tax Court, Court of Federal Claims, Court of Ap-
10 peals for Veterans Claims, United States Court of
11 Appeals for the Armed Forces, and any court cre-
12 ated by Act of Congress, the judges of which are en-
13 titled to hold office during good behavior.”.

14 (c) EFFECTIVE DATE.—The amendments made by
15 this section shall apply to sales after the date of enactment
16 of this Act.

17 **SEC. 250. PREMIUMS FOR MORTGAGE INSURANCE.**

18 (a) IN GENERAL.—Section 163(h)(3) (relating to
19 qualified residence interest) is amended by adding at the
20 end the following new subparagraph:

21 “(E) MORTGAGE INSURANCE PREMIUMS
22 TREATED AS INTEREST.—

23 “(i) IN GENERAL.—Premiums paid or
24 accrued for qualified mortgage insurance
25 by a taxpayer during the taxable year in

1 connection with acquisition indebtedness
2 with respect to a qualified residence of the
3 taxpayer shall be treated for purposes of
4 this section as interest which is qualified
5 residence interest.

6 “(ii) PHASEOUT.—The amount other-
7 wise treated as interest under clause (i)
8 shall be reduced (but not below zero) by 10
9 percent of such amount for each \$1,000
10 (\$500 in the case of a married individual
11 filing a separate return) (or fraction there-
12 of) that the taxpayer’s adjusted gross in-
13 come for the taxable year exceeds
14 \$100,000 (\$50,000 in the case of a mar-
15 ried individual filing a separate return).

16 “(iii) LIMITATION.—Clause (i) shall
17 not apply with respect to any mortgage in-
18 surance contracts issued before January 1,
19 2007.

20 “(iv) TERMINATION.—Clause (i) shall
21 not apply to amounts—

22 “(I) paid or accrued after De-
23 cember 31, 2007, or

24 “(II) properly allocable to any
25 period after such date.”.

1 (b) DEFINITION AND SPECIAL RULES.—Section
2 163(h)(4) (relating to other definitions and special rules)
3 is amended by adding at the end the following new sub-
4 paragraphs:

5 “(E) QUALIFIED MORTGAGE INSUR-
6 ANCE.—The term ‘qualified mortgage insur-
7 ance’ means—

8 “(i) mortgage insurance provided by
9 the Veterans Administration, the Federal
10 Housing Administration, or the Rural
11 Housing Administration, and

12 “(ii) private mortgage insurance (as
13 defined by section 2 of the Homeowners
14 Protection Act of 1998 (12 U.S.C. 4901),
15 as in effect on the date of the enactment
16 of this subparagraph).

17 “(F) SPECIAL RULES FOR PREPAID QUALI-
18 FIED MORTGAGE INSURANCE.—Any amount
19 paid by the taxpayer for qualified mortgage in-
20 surance that is properly allocable to any mort-
21 gage the payment of which extends to periods
22 that are after the close of the taxable year in
23 which such amount is paid shall be chargeable
24 to capital account and shall be treated as paid
25 in such periods to which so allocated. No deduc-

1 tion shall be allowed for the unamortized bal-
2 ance of such account if such mortgage is satis-
3 fied before the end of its term. The preceding
4 sentences shall not apply to amounts paid for
5 qualified mortgage insurance provided by the
6 Veterans Administration or the Rural Housing
7 Administration.”.

8 (c) INFORMATION RETURNS RELATING TO MORT-
9 GAGE INSURANCE.—Section 6050H (relating to returns
10 relating to mortgage interest received in trade or business
11 from individuals) is amended by adding at the end the fol-
12 lowing new subsection:

13 “(h) RETURNS RELATING TO MORTGAGE INSURANCE
14 PREMIUMS.—

15 “(1) IN GENERAL.—The Secretary may pre-
16 scribe, by regulations, that any person who, in the
17 course of a trade or business, receives from any indi-
18 vidual premiums for mortgage insurance aggregating
19 \$600 or more for any calendar year, shall make a
20 return with respect to each such individual. Such re-
21 turn shall be in such form, shall be made at such
22 time, and shall contain such information as the Sec-
23 retary may prescribe.

24 “(2) STATEMENT TO BE FURNISHED TO INDI-
25 VIDUALS WITH RESPECT TO WHOM INFORMATION IS

1 REQUIRED.—Every person required to make a re-
2 turn under paragraph (1) shall furnish to each indi-
3 vidual with respect to whom a return is made a writ-
4 ten statement showing such information as the Sec-
5 retary may prescribe. Such written statement shall
6 be furnished on or before January 31 of the year
7 following the calendar year for which the return
8 under paragraph (1) was required to be made.

9 “(3) SPECIAL RULES.—For purposes of this
10 subsection—

11 “(A) rules similar to the rules of sub-
12 section (c) shall apply, and

13 “(B) the term ‘mortgage insurance’
14 means—

15 “(i) mortgage insurance provided by
16 the Veterans Administration, the Federal
17 Housing Administration, or the Rural
18 Housing Administration, and

19 “(ii) private mortgage insurance (as
20 defined by section 2 of the Homeowners
21 Protection Act of 1998 (12 U.S.C. 4901),
22 as in effect on the date of the enactment
23 of this subsection).”.

1 (d) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to amounts paid or accrued after
3 December 31, 2006.

4 **SEC. 251. MODIFICATION OF REFUNDS FOR KEROSENE**
5 **USED IN AVIATION.**

6 (a) IN GENERAL.—Paragraph (4) of section 6427(l)
7 (relating to nontaxable uses of diesel fuel and kerosene)
8 is amended to read as follows:

9 “(4) REFUNDS FOR KEROSENE USED IN AVIA-
10 TION.—

11 “(A) KEROSENE USED IN COMMERCIAL
12 AVIATION.—In the case of kerosene used in
13 commercial aviation (as defined in section
14 4083(b)) (other than supplies for vessels or air-
15 craft within the meaning of section 4221(d)(3)),
16 paragraph (1) shall not apply to so much of the
17 tax imposed by section 4041 or 4081, as the
18 case may be, as is attributable to—

19 “(i) the Leaking Underground Stor-
20 age Tank Trust Fund financing rate im-
21 posed by such section, and

22 “(ii) so much of the rate of tax speci-
23 fied in section 4041(c) or
24 4081(a)(2)(A)(iii), as the case may be, as
25 does not exceed 4.3 cents per gallon.

1 “(B) KEROSENE USED IN NONCOMMER-
2 CIAL AVIATION.—In the case of kerosene used
3 in aviation that is not commercial aviation (as
4 so defined) (other than any use which is exempt
5 from the tax imposed by section 4041(c) other
6 than by reason of a prior imposition of tax),
7 paragraph (1) shall not apply to—

8 “(i) any tax imposed by section
9 4041(c), and

10 “(ii) so much of the tax imposed by
11 section 4081 as is attributable to—

12 “(I) the Leaking Underground
13 Storage Tank Trust Fund financing
14 rate imposed by such section, and

15 “(II) so much of the rate of tax
16 specified in section 4081(a)(2)(A)(iii)
17 as does not exceed the rate specified
18 in section 4081(a)(2)(C)(ii).

19 “(C) PAYMENTS TO ULTIMATE, REG-
20 ISTERED VENDOR.—

21 “(i) IN GENERAL.—With respect to
22 any kerosene used in aviation (other than
23 kerosene described in clause (ii) or ker-
24 osene to which paragraph (5) applies), if
25 the ultimate purchaser of such kerosene

1 waives (at such time and in such form and
2 manner as the Secretary shall prescribe)
3 the right to payment under paragraph (1)
4 and assigns such right to the ultimate ven-
5 dor, then the Secretary shall pay the
6 amount which would be paid under para-
7 graph (1) to such ultimate vendor, but
8 only if such ultimate vendor—

9 “(I) is registered under section
10 4101, and

11 “(II) meets the requirements of
12 subparagraph (A), (B), or (D) of sec-
13 tion 6416(a)(1).

14 “(ii) PAYMENTS FOR KEROSENE USED
15 IN NONCOMMERCIAL AVIATION.—The
16 amount which would be paid under para-
17 graph (1) with respect to any kerosene to
18 which subparagraph (B) applies shall be
19 paid only to the ultimate vendor of such
20 kerosene. A payment shall be made to such
21 vendor if such vendor—

22 “(I) is registered under section
23 4101, and

1 “(II) meets the requirements of
2 subparagraph (A), (B), or (D) of sec-
3 tion 6416(a)(1).”.

4 (b) CONFORMING AMENDMENTS.—

5 (1) Section 6427(l) is amended by striking
6 paragraph (5) and by redesignating paragraph (6)
7 as paragraph (5).

8 (2) Section 4082(d)(2)(B) is amended by strik-
9 ing “section 6427(l)(6)(B)” and inserting “section
10 6427(l)(5)(B)”.

11 (3) Section 6427(i)(4)(A) is amended—

12 (A) by striking “paragraph (4)(B), (5), or
13 (6)” each place it appears and inserting “para-
14 graph (4)(C) or (5)”, and

15 (B) by striking “(l)(5), and (l)(6)” and in-
16 serting “(l)(4)(C)(ii), and (l)(5)”.

17 (4) Section 6427(l)(1) is amended by striking
18 “paragraph (4)(B)” and inserting “paragraph
19 (4)(C)(i)”.

20 (5) Section 9502(d) is amended—

21 (A) in paragraph (2), by striking “and
22 (l)(5)”, and

23 (B) in paragraph (3), by striking “or (5)”.

24 (6) Section 9503(c)(7) is amended—

1 (A) by amending subparagraphs (A) and
2 (B) to read as follows:

3 “(A) 4.3 cents per gallon of kerosene sub-
4 ject to section 6427(l)(4)(A) with respect to
5 which a payment has been made by the Sec-
6 retary under section 6427(l), and

7 “(B) 21.8 cents per gallon of kerosene sub-
8 ject to section 6427(l)(4)(B) with respect to
9 which a payment has been made by the Sec-
10 retary under section 6427(l).”, and

11 (B) in the matter following subparagraph
12 (B), by striking “or (5)”.

13 (c) EFFECTIVE DATE.—

14 (1) IN GENERAL.—The amendments made by
15 this section shall apply to kerosene sold after Sep-
16 tember 30, 2005.

17 (2) SPECIAL RULE FOR PENDING CLAIMS.—In
18 the case of kerosene sold for use in aviation (other
19 than kerosene to which section 6427(l)(4)(C)(ii) of
20 the Internal Revenue Code of 1986 (as added by
21 subsection (a)) applies or kerosene to which section
22 6427(l)(5) of such Code (as redesignated by sub-
23 section (b)) applies) after September 30, 2005, and
24 before the date of the enactment of this Act, the ul-
25 timate purchaser shall be treated as having waived

1 the right to payment under section 6427(l)(1) of
2 such Code and as having assigned such right to the
3 ultimate vendor if such ultimate vendor has met the
4 requirements of subparagraph (A), (B), or (D) of
5 section 6416(a)(1) of such Code.

6 (d) SPECIAL RULE FOR KEROSENE USED IN AVIA-
7 TION ON A FARM FOR FARMING PURPOSES.—

8 (1) REFUNDS FOR PURCHASES AFTER DECEM-
9 BER 31, 2004, AND BEFORE OCTOBER 1, 2005.—

10 The Secretary of the Treasury shall pay to the ulti-
11 mate purchaser of any kerosene which is used in
12 aviation on a farm for farming purposes and which
13 was purchased after December 31, 2004, and before
14 October 1, 2005, an amount equal to the aggregate
15 amount of tax imposed on such fuel under section
16 4041 or 4081 of the Internal Revenue Code of 1986,
17 as the case may be, reduced by any payment to the
18 ultimate vendor under section 6427(l)(5)(C) of such
19 Code (as in effect on the day before the date of the
20 enactment of the Safe, Accountable, Flexible, Effi-
21 cient Transportation Equity Act: a Legacy for
22 Users).

23 (2) USE ON A FARM FOR FARMING PUR-
24 POSES.—For purposes of paragraph (1), kerosene
25 shall be treated as used on a farm for farming pur-

1 poses if such kerosene is used for farming purposes
2 (within the meaning of section 6420(c)(3) of the In-
3 ternal Revenue Code of 1986) in carrying on a trade
4 or business on a farm situated in the United States.
5 For purposes of the preceding sentence, rules similar
6 to the rules of section 6420(c)(4) of such Code shall
7 apply.

8 (3) TIME FOR FILING CLAIMS.—No claim shall
9 be allowed under paragraph (1) unless the ultimate
10 purchaser files such claim before the date that is 3
11 months after the date of the enactment of this Act.

12 (4) NO DOUBLE BENEFIT.—No amount shall be
13 paid under paragraph (1) or section 6427(l) of the
14 Internal Revenue Code of 1986 with respect to any
15 kerosene described in paragraph (1) to the extent
16 that such amount is in excess of the tax imposed on
17 such kerosene under section 4041 or 4081 of such
18 Code, as the case may be.

19 (5) APPLICABLE LAWS.—For purposes of this
20 subsection, rules similar to the rules of section
21 6427(j) of the Internal Revenue Code of 1986 shall
22 apply.

1 **SEC. 252. DEDUCTION FOR QUALIFIED TIMBER GAIN.**

2 (a) IN GENERAL.—Part I of subchapter P of chapter
3 1 is amended by adding at the end the following new sec-
4 tion:

5 **“SEC. 1203. DEDUCTION FOR QUALIFIED TIMBER GAIN.**

6 “(a) IN GENERAL.—In the case of a taxpayer which
7 elects the application of this section for a taxable year,
8 there shall be allowed a deduction against gross income
9 equal to 60 percent of the lesser of—

10 “(1) the taxpayer’s qualified timber gain for
11 such year, or

12 “(2) the taxpayer’s net capital gain for such
13 year.

14 “(b) QUALIFIED TIMBER GAIN.—For purposes of
15 this section, the term ‘qualified timber gain’ means, with
16 respect to any taxpayer for any taxable year, the excess
17 (if any) of—

18 “(1) the sum of the taxpayer’s gains described
19 in subsections (a) and (b) of section 631 for such
20 year, over

21 “(2) the sum of the taxpayer’s losses described
22 in such subsections for such year.

23 “(c) SPECIAL RULES FOR PASS-THRU ENTITIES.—
24 In the case of any qualified timber gain of a pass-thru
25 entity (as defined in section 1(h)(10))—

1 “(1) the election under this section shall be
2 made separately by each taxpayer subject to tax on
3 such gain, and

4 “(2) the Secretary may prescribe such regula-
5 tions as are appropriate to apply this section to such
6 gain.

7 “(d) TERMINATION.—No disposition of timber after
8 December 31, 2007, shall be taken into account under
9 subsection (b).”.

10 (b) COORDINATION WITH MAXIMUM CAPITAL GAINS
11 RATES.—

12 (1) TAXPAYERS OTHER THAN CORPORA-
13 TIONS.—Paragraph (2) of section 1(h) is amended
14 to read as follows:

15 “(2) REDUCTION OF NET CAPITAL GAIN.—For
16 purposes of this subsection, the net capital gain for
17 any taxable year shall be reduced (but not below
18 zero) by the sum of—

19 “(A) the amount which the taxpayer takes
20 into account as investment income under sec-
21 tion 163(d)(4)(B)(iii), and

22 “(B) in the case of a taxable year with re-
23 spect to which an election is in effect under sec-
24 tion 1203, the lesser of—

1 “(i) the amount described in para-
2 graph (1) of section 1203(a), or

3 “(ii) the amount described in para-
4 graph (2) of such section.”.

5 (2) CORPORATIONS.—Section 1201 is amended
6 by redesignating subsection (b) as subsection (c) and
7 inserting after subsection (a) the following new sub-
8 section:

9 “(b) QUALIFIED TIMBER GAIN NOT TAKEN INTO
10 ACCOUNT.—For purposes of this section, in the case of
11 a corporation with respect to which an election is in effect
12 under section 1203, the net capital gain for any taxable
13 year shall be reduced (but not below zero) by the corpora-
14 tion’s qualified timber gain (as defined in section
15 1203(b)).”.

16 (c) DEDUCTION ALLOWED WHETHER OR NOT INDI-
17 VIDUAL ITEMIZES OTHER DEDUCTIONS.—Subsection (a)
18 of section 62, as amended by this Act, is amended by in-
19 serting before the last sentence the following new para-
20 graph:

21 “(22) QUALIFIED TIMBER GAINS.—The deduc-
22 tion allowed by section 1203.”.

23 (d) DEDUCTION ALLOWED IN COMPUTING AD-
24 JUSTED CURRENT EARNINGS.—Subparagraph (C) of sec-

1 tion 56(g)(4) is amended by adding at the end the fol-
2 lowing new clause:

3 “(vii) DEDUCTION FOR QUALIFIED
4 TIMBER GAIN.—Clause (i) shall not apply
5 to any deduction allowed under section
6 1203.”.

7 (e) DEDUCTION ALLOWED IN COMPUTING TAXABLE
8 INCOME OF ELECTING SMALL BUSINESS TRUSTS.—Sub-
9 paragraph (C) of section 641(c)(2) is amended by insert-
10 ing after clause (iii) the following new clause:

11 “(iv) The deduction allowed under
12 section 1203.”.

13 (f) CONFORMING AMENDMENTS.—

14 (1) Subparagraph (B) of section 172(d)(2) is
15 amended to read as follows:

16 “(B) the exclusion under section 1202 and
17 the deduction under section 1203 shall not be
18 allowed.”.

19 (2) Paragraph (4) of section 642(c) is amended
20 by striking the first sentence and inserting the fol-
21 lowing: “To the extent that the amount otherwise al-
22 lowable as a deduction under this subsection consists
23 of gain described in section 1202(a) or qualified tim-
24 ber gain (as defined in section 1203(b)), proper ad-
25 justment shall be made for any exclusion allowable

1 to the estate or trust under section 1202 and for
2 any deduction allowable to the estate or trust under
3 section 1203.”.

4 (3) Paragraph (3) of section 643(a) is amended
5 by striking the last sentence and inserting the fol-
6 lowing: “The exclusion under section 1202 and the
7 deduction under section 1203 shall not be taken into
8 account.”.

9 (4) Subparagraph (C) of section 643(a)(6) is
10 amended to read as follows:

11 “(C) Paragraph (3) shall not apply to a
12 foreign trust. In the case of such a trust—

13 “(i) there shall be included gains from
14 the sale or exchange of capital assets, re-
15 duced by losses from such sales or ex-
16 changes to the extent such losses do not
17 exceed gains from such sales or exchanges,
18 and

19 “(ii) the deduction under section 1203
20 shall not be taken into account.”.

21 (5) Paragraph (4) of section 691(c) is amended
22 by inserting “1203,” after “1202,”.

23 (6) Paragraph (2) of section 871(a) is amended
24 by striking “section 1202” and inserting “sections
25 1202 and 1203”.

1 (7) The table of sections for part I of sub-
 2 chapter P of chapter 1 is amended by adding at the
 3 end the following new item:

“Sec. 1203. Deduction for qualified timber gain.”.

4 (g) EFFECTIVE DATE.—

5 (1) IN GENERAL.—The amendments made by
 6 this section shall apply to taxable years ending after
 7 the date of the enactment of this Act.

8 (2) TAXABLE YEARS WHICH INCLUDE DATE OF
 9 ENACTMENT.—In the case of any taxable year which
 10 includes the date of the enactment of this Act, for
 11 purposes of the Internal Revenue Code of 1986, the
 12 taxpayer’s qualified timber gain shall not exceed the
 13 excess that would be described in section 1203(b) of
 14 such Code, as added by this section, if only disposi-
 15 tions of timber after such date were taken into ac-
 16 count.

17 **SEC. 253. CREDIT TO HOLDERS OF RURAL RENAISSANCE**
 18 **BONDS.**

19 (a) IN GENERAL.—Subpart H of part IV of sub-
 20 chapter A of chapter 1 (relating to credits against tax)
 21 is amended by adding at the end the following new section:

22 **“SEC. 54A. CREDIT TO HOLDERS OF RURAL RENAISSANCE**
 23 **BONDS.**

24 “(a) ALLOWANCE OF CREDIT.—In the case of a tax-
 25 payer who holds a rural renaissance bond on a credit al-

1 lowance date of such bond, which occurs during the tax-
2 able year, there shall be allowed as a credit against the
3 tax imposed by this chapter for such taxable year an
4 amount equal to the sum of the credits determined under
5 subsection (b) with respect to credit allowance dates dur-
6 ing such year on which the taxpayer holds such bond.

7 “(b) AMOUNT OF CREDIT.—

8 “(1) IN GENERAL.—The amount of the credit
9 determined under this subsection with respect to any
10 credit allowance date for a rural renaissance bond is
11 25 percent of the annual credit determined with re-
12 spect to such bond.

13 “(2) ANNUAL CREDIT.—The annual credit de-
14 termined with respect to any rural renaissance bond
15 is the product of—

16 “(A) the credit rate determined by the Sec-
17 retary under paragraph (3) for the day on
18 which such bond was sold, multiplied by

19 “(B) the outstanding face amount of the
20 bond.

21 “(3) DETERMINATION.—For purposes of para-
22 graph (2), with respect to any rural renaissance
23 bond, the Secretary shall determine daily or caused
24 to be determined daily a credit rate which shall
25 apply to the first day on which there is a binding,

1 written contract for the sale or exchange of the
2 bond. The credit rate for any day is the credit rate
3 which the Secretary or the Secretary's designee esti-
4 mates will permit the issuance of rural renaissance
5 bonds with a specified maturity or redemption date
6 without discount and without interest cost to the
7 qualified issuer.

8 “(4) CREDIT ALLOWANCE DATE.—For purposes
9 of this section, the term ‘credit allowance date’
10 means—

11 “(A) March 15,

12 “(B) June 15,

13 “(C) September 15, and

14 “(D) December 15.

15 Such term also includes the last day on which the
16 bond is outstanding.

17 “(5) SPECIAL RULE FOR ISSUANCE AND RE-
18 DEMPTION.—In the case of a bond which is issued
19 during the 3-month period ending on a credit allow-
20 ance date, the amount of the credit determined
21 under this subsection with respect to such credit al-
22 lowance date shall be a ratable portion of the credit
23 otherwise determined based on the portion of the 3-
24 month period during which the bond is outstanding.

1 A similar rule shall apply when the bond is redeemed
2 or matures.

3 “(c) LIMITATION BASED ON AMOUNT OF TAX.—The
4 credit allowed under subsection (a) for any taxable year
5 shall not exceed the excess of—

6 “(1) the sum of the regular tax liability (as de-
7 fined in section 26(b)) plus the tax imposed by sec-
8 tion 55, over

9 “(2) the sum of the credits allowable under this
10 part (other than subpart C and this section).

11 “(d) RURAL RENAISSANCE BOND.—For purposes of
12 this section—

13 “(1) IN GENERAL.—The term ‘rural renais-
14 sance bond’ means any bond issued as part of an
15 issue if—

16 “(A) the bond is issued by a qualified
17 issuer,

18 “(B) 95 percent or more of the proceeds
19 from the sale of such issue are to be used for
20 capital expenditures incurred for 1 or more
21 qualified projects,

22 “(C) the qualified issuer designates such
23 bond for purposes of this section and the bond
24 is in registered form, and

1 “(D) the issue meets the requirements of
2 subsections (e) and (h).

3 “(2) QUALIFIED PROJECT; SPECIAL USE
4 RULES.—

5 “(A) IN GENERAL.—The term ‘qualified
6 project’ means 1 or more projects described in
7 subparagraph (B) located in a rural area.

8 “(B) PROJECTS DESCRIBED.—A project
9 described in this subparagraph is—

10 “(i) a water or waste treatment
11 project,

12 “(ii) an affordable housing project,

13 “(iii) a community facility project, in-
14 cluding hospitals, fire and police stations,
15 and nursing and assisted-living facilities,

16 “(iv) a value-added agriculture or re-
17 newable energy facility project for agricul-
18 tural producers or farmer-owned entities,
19 including any project to promote the pro-
20 duction, processing, or retail sale of eth-
21 anol (including fuel at least 85 percent of
22 the volume of which consists of ethanol),
23 biodiesel, animal waste, biomass, raw com-
24 modities, or wind as a fuel,

1 “(v) a distance learning or telemedi-
2 cine project,

3 “(vi) a rural utility infrastructure
4 project, including any electric or telephone
5 system,

6 “(vii) a project to expand broadband
7 technology,

8 “(viii) a rural teleworks project, and

9 “(ix) any project described in any pre-
10 ceding clause carried out by the Delta Re-
11 gional Authority.

12 “(C) SPECIAL RULES.—For purposes of
13 this paragraph—

14 “(i) any project described in subpara-
15 graph (B)(iv) for a farmer-owned entity
16 may be considered a qualified project if
17 such entity is located in a rural area, or in
18 the case of a farmer-owned entity the
19 headquarters of which are located in a
20 nonrural area, if the project is located in
21 a rural area, and

22 “(ii) any project for a farmer-owned
23 entity which is a facility described in sub-
24 paragraph (B)(iv) for agricultural pro-
25 ducers may be considered a qualified

1 project regardless of whether the facility is
2 located in a rural or nonrural area.

3 “(3) SPECIAL USE RULES.—

4 “(A) REFINANCING RULES.—For purposes
5 of paragraph (1)(B), a qualified project may be
6 refinanced with proceeds of a rural renaissance
7 bond only if the indebtedness being refinanced
8 (including any obligation directly or indirectly
9 refinanced by such indebtedness) was originally
10 incurred after the date of the enactment of this
11 section.

12 “(B) REIMBURSEMENT.—For purposes of
13 paragraph (1)(B), a rural renaissance bond
14 may be issued to reimburse a borrower for
15 amounts paid after the date of the enactment
16 of this section with respect to a qualified
17 project, but only if—

18 “(i) prior to the payment of the origi-
19 nal expenditure, the borrower declared its
20 intent to reimburse such expenditure with
21 the proceeds of a rural renaissance bond,

22 “(ii) not later than 60 days after pay-
23 ment of the original expenditure, the quali-
24 fied issuer adopts an official intent to re-

1 imburse the original expenditure with such
2 proceeds, and

3 “(iii) the reimbursement is made not
4 later than 18 months after the date the
5 original expenditure is paid.

6 “(C) TREATMENT OF CHANGES IN USE.—

7 For purposes of paragraph (1)(B), the proceeds
8 of an issue shall not be treated as used for a
9 qualified project to the extent that a borrower
10 takes any action within its control which causes
11 such proceeds not to be used for a qualified
12 project. The Secretary shall prescribe regula-
13 tions specifying remedial actions that may be
14 taken (including conditions to taking such re-
15 medial actions) to prevent an action described
16 in the preceding sentence from causing a bond
17 to fail to be a rural renaissance bond.

18 “(e) MATURITY LIMITATIONS.—

19 “(1) DURATION OF TERM.—A bond shall not be
20 treated as a rural renaissance bond if the maturity
21 of such bond exceeds the maximum term determined
22 by the Secretary under paragraph (2) with respect
23 to such bond.

24 “(2) MAXIMUM TERM.—During each calendar
25 month, the Secretary shall determine the maximum

1 term permitted under this paragraph for bonds
2 issued during the following calendar month. Such
3 maximum term shall be the term which the Sec-
4 retary estimates will result in the present value of
5 the obligation to repay the principal on the bond
6 being equal to 50 percent of the face amount of such
7 bond. Such present value shall be determined with-
8 out regard to the requirements of paragraph (3) and
9 using as a discount rate the average annual interest
10 rate of tax-exempt obligations having a term of 10
11 years or more which are issued during the month. If
12 the term as so determined is not a multiple of a
13 whole year, such term shall be rounded to the next
14 highest whole year.

15 “(3) RATABLE PRINCIPAL AMORTIZATION RE-
16 QUIRED.—A bond shall not be treated as a rural
17 renaissance bond unless it is part of an issue which
18 provides for an equal amount of principal to be paid
19 by the qualified issuer during each calendar year
20 that the issue is outstanding.

21 “(f) LIMITATION ON AMOUNT OF BONDS DES-
22 IGNATED.—

23 “(1) NATIONAL LIMITATION.—There is a rural
24 renaissance bond limitation of \$200,000,000.

1 “(2) ALLOCATION BY SECRETARY.—The Sec-
2 retary shall allocate the amount described in para-
3 graph (1) among qualified projects in such manner
4 as the Secretary determines appropriate.

5 “(g) CREDIT INCLUDED IN GROSS INCOME.—Gross
6 income includes the amount of the credit allowed to the
7 taxpayer under this section (determined without regard to
8 subsection (c)) and the amount so included shall be treat-
9 ed as interest income.

10 “(h) SPECIAL RULES RELATING TO EXPENDI-
11 TURES.—

12 “(1) IN GENERAL.—An issue shall be treated as
13 meeting the requirements of this subsection if, as of
14 the date of issuance, the qualified issuer reasonably
15 expects—

16 “(A) at least 95 percent of the proceeds
17 from the sale of the issue are to be spent for
18 1 or more qualified projects within the 5-year
19 period beginning on the date of issuance of the
20 rural renaissance bond,

21 “(B) a binding commitment with a third
22 party to spend at least 10 percent of the pro-
23 ceeds from the sale of the issue will be incurred
24 within the 6-month period beginning on the
25 date of issuance of the rural renaissance bond

1 or, in the case of a rural renaissance bond, the
2 proceeds of which are to be loaned to 2 or more
3 borrowers, such binding commitment will be in-
4 curred within the 6-month period beginning on
5 the date of the loan of such proceeds to a bor-
6 rower, and

7 “(C) such projects will be completed with
8 due diligence and the proceeds from the sale of
9 the issue will be spent with due diligence.

10 “(2) EXTENSION OF PERIOD.—Upon submis-
11 sion of a request prior to the expiration of the period
12 described in paragraph (1)(A), the Secretary may
13 extend such period if the qualified issuer establishes
14 that the failure to satisfy the 5-year requirement is
15 due to reasonable cause and the related projects will
16 continue to proceed with due diligence.

17 “(3) FAILURE TO SPEND REQUIRED AMOUNT
18 OF BOND PROCEEDS WITHIN 5 YEARS.—To the ex-
19 tent that less than 95 percent of the proceeds of
20 such issue are expended by the close of the 5-year
21 period beginning on the date of issuance (or if an
22 extension has been obtained under paragraph (2), by
23 the close of the extended period), the qualified issuer
24 shall redeem all of the nonqualified bonds within 90
25 days after the end of such period. For purposes of

1 this paragraph, the amount of the nonqualified
2 bonds required to be redeemed shall be determined
3 in the same manner as under section 142.

4 “(i) SPECIAL RULES RELATING TO ARBITRAGE.—A
5 bond which is part of an issue shall not be treated as a
6 rural renaissance bond unless, with respect to the issue
7 of which the bond is a part, the qualified issuer satisfies
8 the arbitrage requirements of section 148 with respect to
9 proceeds of the issue.

10 “(j) QUALIFIED ISSUER.—For purposes of this sec-
11 tion—

12 “(1) IN GENERAL.—The term ‘qualified issuer’
13 means any not-for-profit cooperative lender which
14 has as of the date of the enactment of this section
15 received a guarantee under section 306 of the Rural
16 Electrification Act and which meets the requirement
17 of paragraph (2).

18 “(2) USER FEE REQUIREMENT.—The require-
19 ment of this paragraph is met if the issuer of any
20 rural renaissance bond makes grants for qualified
21 projects as defined under subsection (d)(2) on a
22 semi-annual basis every year that such bond is out-
23 standing in an annual amount equal to one-half of
24 the rate on United States Treasury Bills of the same
25 maturity multiplied by the outstanding principal bal-

1 ance of rural renaissance bonds issued by such
2 issuer.

3 “(k) SPECIAL RULES RELATING TO POOL BONDS.—

4 No portion of a pooled financing bond may be allocable
5 to a loan unless the borrower has entered into a written
6 loan commitment for such portion prior to the issue date
7 of such issue.

8 “(l) OTHER DEFINITIONS AND SPECIAL RULES.—

9 For purposes of this section—

10 “(1) BOND.—The term ‘bond’ includes any ob-
11 ligation.

12 “(2) POOLED FINANCING BOND.—The term
13 ‘pooled financing bond’ shall have the meaning given
14 such term by section 149(f)(4)(A).

15 “(3) RURAL AREA.—The term ‘rural area’
16 means any area other than—

17 “(A) a city or town which has a population
18 of greater than 50,000 inhabitants, or

19 “(B) the urbanized area contiguous and
20 adjacent to such a city or town.

21 “(4) PARTNERSHIP; S CORPORATION; AND
22 OTHER PASS-THRU ENTITIES.—

23 “(A) IN GENERAL.—Under regulations
24 prescribed by the Secretary, in the case of a
25 partnership, trust, S corporation, or other pass-

1 thru entity, rules similar to the rules of section
2 41(g) shall apply with respect to the credit al-
3 lowable under subsection (a).

4 “(B) NO BASIS ADJUSTMENT.—In the case
5 of a bond held by a partnership or an S cor-
6 poration, rules similar to the rules under sec-
7 tion 1397E(l) shall apply.

8 “(5) BONDS HELD BY REGULATED INVEST-
9 MENT COMPANIES.—If any rural renaissance bond is
10 held by a regulated investment company, the credit
11 determined under subsection (a) shall be allowed to
12 shareholders of such company under procedures pre-
13 scribed by the Secretary.

14 “(6) REPORTING.—Issuers of rural renaissance
15 bonds shall submit reports similar to the reports re-
16 quired under section 149(e).”.

17 (b) REPORTING.—Subsection (d) of section 6049 (re-
18 lating to returns regarding payments of interest) is
19 amended by adding at the end the following new para-
20 graph:

21 “(9) REPORTING OF CREDIT ON RURAL RENAISS-
22 SANCE BONDS.—

23 “(A) IN GENERAL.—For purposes of sub-
24 section (a), the term ‘interest’ includes amounts
25 includible in gross income under section 54A(f)

1 and such amounts shall be treated as paid on
2 the credit allowance date (as defined in section
3 54A(b)(4)).

4 “(B) REPORTING TO CORPORATIONS,
5 ETC.—Except as otherwise provided in regula-
6 tions, in the case of any interest described in
7 subparagraph (A), subsection (b)(4) shall be
8 applied without regard to subparagraphs (A),
9 (H), (I), (J), (K), and (L)(i) of such subsection.

10 “(C) REGULATORY AUTHORITY.—The Sec-
11 retary may prescribe such regulations as are
12 necessary or appropriate to carry out the pur-
13 poses of this paragraph, including regulations
14 which require more frequent or more detailed
15 reporting.”.

16 (c) CONFORMING AMENDMENTS.—

17 (1) The table of sections for subpart H of part
18 IV of subchapter A of chapter 1 is amended by add-
19 ing at the end the following new item:

“Sec. 54A. Credit to holders of rural renaissance bonds.”.

20 (2) Section 54(c)(2) is amended by inserting “,
21 section 54A,” after “subpart C”.

22 (3) Section 1400N(l)(3)(B) is amended by in-
23 serting “, section 54A,” after “subpart C”.

24 (d) ISSUANCE OF REGULATIONS.—The Secretary of
25 Treasury shall issue regulations required under section

1 54A of the Internal Revenue Code of 1986 (as added by
2 this section) not later than 120 days after the date of the
3 enactment of this Act.

4 (e) EFFECTIVE DATE.—The amendments made by
5 this section shall apply to bonds issued after the date of
6 the enactment of this Act and before January 1, 2010.

7 **SEC. 254. RESTORATION OF DEDUCTION FOR TRAVEL EX-**
8 **PENSES OF SPOUSE, ETC. ACCOMPANYING**
9 **TAXPAYER ON BUSINESS TRAVEL.**

10 (a) IN GENERAL.—Subsection (m) of section 274 (re-
11 lating to additional limitations on travel expenses) is
12 amended by adding at the end the following new para-
13 graph:

14 “(4) TERMINATION.—Paragraph (3) shall not
15 apply to any expense paid or incurred after the date
16 of the enactment of this paragraph and before Janu-
17 ary 1, 2008.”.

18 (b) EFFECTIVE DATE.—The amendment made by
19 this section shall apply to amounts paid or incurred after
20 the date of the enactment of this Act.

21 **SEC. 255. TECHNICAL CORRECTIONS.**

22 (a) TECHNICAL CORRECTION RELATING TO LOOK-
23 THROUGH TREATMENT OF PAYMENTS BETWEEN RE-
24 LATED CONTROLLED FOREIGN CORPORATIONS UNDER
25 THE FOREIGN PERSONAL HOLDING COMPANY RULES.—

1 (1) IN GENERAL.—

2 (A) The first sentence of section
3 954(c)(6)(A), as amended by section 103(b) of
4 the Tax Increase Prevention and Reconciliation
5 Act of 2005, is amended by striking “which is
6 not subpart F income” and inserting “which is
7 neither subpart F income nor income treated as
8 effectively connected with the conduct of a
9 trade or business in the United States”.

10 (B) Section 954(c)(6)(A), as so amended,
11 is amended by striking the last sentence and in-
12 serting the following: “The Secretary shall pre-
13 scribe such regulations as may be necessary or
14 appropriate to carry out this paragraph, includ-
15 ing such regulations as may be necessary or ap-
16 propriate to prevent the abuse of the purposes
17 of this paragraph.”

18 (2) EFFECTIVE DATE.—The amendments made
19 by this subsection shall take effect as if included in
20 section 103(b) of the Tax Increase Prevention and
21 Reconciliation Act of 2005.

22 (b) TECHNICAL CORRECTION REGARDING AUTHOR-
23 ITY TO EXERCISE REASONABLE CAUSE AND GOOD FAITH
24 EXCEPTION.—

1 (1) IN GENERAL.—Section 903(d)(2)(B)(iii) of
2 the American Jobs Creation Act of 2004, as amend-
3 ed by section 303(a) of the Gulf Opportunity Zone
4 Act of 2005, is amended by inserting “or the Sec-
5 retary’s delegate” after “the Secretary of the Treas-
6 ury”.

7 (2) EFFECTIVE DATE.—The amendment made
8 by this subsection shall take effect as if included in
9 the provisions of the American Jobs Creation Act of
10 2004 to which it relates.

11 **TITLE III—SURFACE MINING**
12 **CONTROL AND RECLAMATION**
13 **ACT AMENDMENTS OF 2006**

14 **SEC. 301. SHORT TITLE.**

15 This title may be cited as the “Surface Mining Con-
16 trol and Reclamation Act Amendments of 2006”.

17 **Subtitle A—MINING CONTROL**
18 **AND RECLAMATION**

19 **SEC. 311. ABANDONED MINE RECLAMATION FUND AND**
20 **PURPOSES.**

21 (a) IN GENERAL.—Section 401 of the Surface Min-
22 ing Control and Reclamation Act of 1977 (30 U.S.C.
23 1231) is amended—

24 (1) in subsection (c)—

1 (A) by striking paragraphs (2) and (6);
2 and

3 (B) by redesignating paragraphs (3), (4),
4 and (5) and paragraphs (7) through (13) as
5 paragraphs (2) through (11), respectively;

6 (2) by striking subsection (d) and inserting the
7 following:

8 “(d) AVAILABILITY OF MONEYS; NO FISCAL YEAR
9 LIMITATION.—

10 “(1) IN GENERAL.—Moneys from the fund for
11 expenditures under subparagraphs (A) through (D)
12 of section 402(g)(3) shall be available only when ap-
13 propriated for those subparagraphs.

14 “(2) NO FISCAL YEAR LIMITATION.—Appropria-
15 tions described in paragraph (1) shall be made with-
16 out fiscal year limitation.

17 “(3) OTHER PURPOSES.—Moneys from the
18 fund shall be available for all other purposes of this
19 title without prior appropriation as provided in sub-
20 section (f).”;

21 (3) in subsection (e)—

22 (A) in the second sentence, by striking
23 “the needs of such fund” and inserting “achiev-
24 ing the purposes of the transfers under section
25 402(h)”;

1 (B) in the third sentence, by inserting be-
2 fore the period the following: “for the purpose
3 of the transfers under section 402(h)”; and
4 (4) by adding at the end the following:

5 “(f) GENERAL LIMITATION ON OBLIGATION AU-
6 THORITY.—

7 “(1) IN GENERAL.—From amounts deposited
8 into the fund under subsection (b), the Secretary
9 shall distribute during each fiscal year beginning
10 after September 30, 2007, an amount determined
11 under paragraph (2).

12 “(2) AMOUNTS.—

13 “(A) FOR FISCAL YEARS 2008 THROUGH
14 2022.—For each of fiscal years 2008 through
15 2022, the amount distributed by the Secretary
16 under this subsection shall be equal to—

17 “(i) the amounts deposited into the
18 fund under paragraphs (1), (2), and (4) of
19 subsection (b) for the preceding fiscal year
20 that were allocated under paragraphs (1)
21 and (5) of section 402(g); plus

22 “(ii) the amount needed for the ad-
23 justment under section 402(g)(8) for the
24 current fiscal year.

1 “(B) FISCAL YEARS 2023 AND THERE-
2 AFTER.—For fiscal year 2023 and each fiscal
3 year thereafter, to the extent that funds are
4 available, the Secretary shall distribute an
5 amount equal to the amount distributed under
6 subparagraph (A) during fiscal year 2022.

7 “(3) DISTRIBUTION.—

8 “(A) IN GENERAL.—Except as provided in
9 subparagraph (B), for each fiscal year, of the
10 amount to be distributed to States and Indian
11 tribes pursuant to paragraph (2), the Secretary
12 shall distribute—

13 “(i) the amounts allocated under
14 paragraph (1) of section 402(g), the
15 amounts allocated under paragraph (5) of
16 section 402(g), and any amount reallocated
17 under section 411(h)(3) in accordance with
18 section 411(h)(2), for grants to States and
19 Indian tribes under section 402(g)(5); and

20 “(ii) the amounts allocated under sec-
21 tion 402(g)(8).

22 “(B) EXCLUSION.—Beginning on October
23 1, 2007, certified States shall be ineligible to
24 receive amounts under section 402(g)(1).

1 “(4) AVAILABILITY.—Amounts in the fund
2 available to the Secretary for obligation under this
3 subsection shall be available until expended.

4 “(5) ADDITION.—

5 “(A) IN GENERAL.—Subject to subpara-
6 graph (B), the amount distributed under this
7 subsection for each fiscal year shall be in addi-
8 tion to the amount appropriated from the fund
9 during the fiscal year.

10 “(B) EXCEPTIONS.—Notwithstanding
11 paragraph (3), the amount distributed under
12 this subsection for the first 4 fiscal years begin-
13 ning on and after October 1, 2007, shall be
14 equal to the following percentage of the amount
15 otherwise required to be distributed:

16 “(i) 50 percent in fiscal year 2008.

17 “(ii) 50 percent in fiscal year 2009.

18 “(iii) 75 percent in fiscal year 2010.

19 “(iv) 75 percent in fiscal year 2011.”.

20 (b) CONFORMING AMENDMENT.—Section 712(b) of
21 the Surface Mining Control and Reclamation Act of 1977
22 (30 U.S.C. 1302(b)) is amended by striking “section
23 401(c)(11)” and inserting “section 401(c)(9)”.

24 **SEC. 312. RECLAMATION FEE.**

25 (a) AMOUNTS.—

1 (1) FISCAL YEARS 2008–2012.—Effective Octo-
2 ber 1, 2007, section 402(a) of the Surface Mining
3 Control and Reclamation Act of 1977 (30 U.S.C.
4 1232(a)) is amended—

5 (A) by striking “35” and inserting “31.5”;

6 (B) by striking “15” and inserting “13.5”;

7 and

8 (C) by striking “10 cents” and inserting
9 “9 cents”.

10 (2) FISCAL YEARS 2013–2021.—Effective Octo-
11 ber 1, 2012, section 402(a) of the Surface Mining
12 Control and Reclamation Act of 1977 (30 U.S.C.
13 1232(a)) (as amended by paragraph (1)) is amend-
14 ed—

15 (A) by striking “31.5” and inserting “28”;

16 (B) by striking “13.5” and inserting “12”;

17 and

18 (C) by striking “9 cents” and inserting “8
19 cents”.

20 (b) DURATION.—Effective September 30, 2007, sec-
21 tion 402(b) of the Surface Mining Control and Reclama-
22 tion Act of 1977 (30 U.S.C. 1232(b)) (as amended by sec-
23 tion 7007 of the Emergency Supplemental Appropriations
24 Act for Defense, the Global War on Terror, and Hurricane
25 Recovery, 2006 (Public Law 109–234; 120 Stat. 484)) is

1 amended by striking “September 30, 2007” and all that
2 follows through the end of the sentence and inserting
3 “September 30, 2021.”.

4 (c) ALLOCATION OF FUNDS.—Section 402(g) of the
5 Surface Mining Control and Reclamation Act of 1977 (30
6 U.S.C. 1232(g)) is amended—

7 (1) in paragraph (1)(D)—

8 (A) by inserting “(except for grants award-
9 ed during fiscal years 2008, 2009, and 2010 to
10 the extent not expended within 5 years)” after
11 “this paragraph”; and

12 (B) by striking “in any area under para-
13 graph (2), (3), (4), or (5)” and inserting
14 “under paragraph (5)”;

15 (2) by striking paragraph (2) and inserting:

16 “(2) In making the grants referred to in paragraph
17 (1)(C) and the grants referred to in paragraph (5), the
18 Secretary shall ensure strict compliance by the States and
19 Indian tribes with the priorities described in section
20 403(a) until a certification is made under section
21 411(a).”;

22 (3) in paragraph (3)—

23 (A) in the matter preceding subparagraph
24 (A), by striking “paragraphs (2) and” and in-
25 serting “paragraph”;

1 (B) in subparagraph (A), by striking
2 “401(c)(11)” and inserting “401(c)(9)”; and

3 (C) by adding at the end the following:

4 “(E) For the purpose of paragraph (8).”;

5 (4) in paragraph (5)—

6 (A) by inserting “(A)” after “(5)”;

7 (B) in the first sentence, by striking “40”
8 and inserting “60”;

9 (C) in the last sentence, by striking
10 “Funds allocated or expended by the Secretary
11 under paragraphs (2), (3), or (4)” and insert-
12 ing “Funds made available under paragraph (3)
13 or (4)”; and

14 (D) by adding at the end the following:

15 “(B) Any amount that is reallocated and available
16 under section 411(h)(3) shall be in addition to amounts
17 that are allocated under subparagraph (A).”; and

18 (5) by striking paragraphs (6) through (8) and
19 inserting the following:

20 “(6)(A) Any State with an approved abandoned mine
21 reclamation program pursuant to section 405 may receive
22 and retain, without regard to the 3-year limitation re-
23 ferred to in paragraph (1)(D), up to 30 percent of the
24 total of the grants made annually to the State under para-
25 graphs (1) and (5) if those amounts are deposited into

1 an acid mine drainage abatement and treatment fund es-
2 tablished under State law, from which amounts (together
3 with all interest earned on the amounts) are expended by
4 the State for the abatement of the causes and the treat-
5 ment of the effects of acid mine drainage in a comprehen-
6 sive manner within qualified hydrologic units affected by
7 coal mining practices.

8 “(B) In this paragraph, the term ‘qualified hydrologic
9 unit’ means a hydrologic unit—

10 “(i) in which the water quality has been signifi-
11 cantly affected by acid mine drainage from coal min-
12 ing practices in a manner that adversely impacts bi-
13 ological resources; and

14 “(ii) that contains land and water that are—

15 “(I) eligible pursuant to section 404 and
16 include any of the priorities described in section
17 403(a); and

18 “(II) the subject of expenditures by the
19 State from the forfeiture of bonds required
20 under section 509 or from other States sources
21 to abate and treat acid mine drainage.

22 “(7) In complying with the priorities described in sec-
23 tion 403(a), any State or Indian tribe may use amounts
24 available in grants made annually to the State or tribe
25 under paragraphs (1) and (5) for the reclamation of eligi-

1 ble land and water described in section 403(a)(3) before
2 the completion of reclamation projects under paragraphs
3 (1) and (2) of section 403(a) only if the expenditure of
4 funds for the reclamation is done in conjunction with the
5 expenditure before, on, or after the date of enactment of
6 the Surface Mining Control and Reclamation Act Amend-
7 ments of 2006 of funds for reclamation projects under
8 paragraphs (1) and (2) of section 403(a).

9 “(8)(A) In making funds available under this title,
10 the Secretary shall ensure that the grant awards total not
11 less than \$3,000,000 annually to each State and each In-
12 dian tribe having an approved abandoned mine reclama-
13 tion program pursuant to section 405 and eligible land
14 and water pursuant to section 404, so long as an alloca-
15 tion of funds to the State or tribe is necessary to achieve
16 the priorities stated in paragraphs (1) and (2) of section
17 403(a).

18 “(B) Notwithstanding any other provision of law, this
19 paragraph applies to the States of Tennessee and Mis-
20 souri.”.

21 (d) TRANSFERS OF INTEREST EARNED BY ABAN-
22 DONED MINE RECLAMATION FUND.—Section 402 of the
23 Surface Mining Control and Reclamation Act of 1977 (30
24 U.S.C. 1232) is amended by striking subsection (h) and
25 inserting the following:

1 “(h) TRANSFERS OF INTEREST EARNED BY FUND.—

2 “(1) IN GENERAL.—

3 “(A) TRANSFERS TO COMBINED BENEFIT
4 FUND.—As soon as practicable after the begin-
5 ning of fiscal year 2007 and each fiscal year
6 thereafter, and before making any allocation
7 with respect to the fiscal year under subsection
8 (g), the Secretary shall use an amount not to
9 exceed the amount of interest that the Sec-
10 retary estimates will be earned and paid to the
11 fund during the fiscal year to make the transfer
12 described in paragraph (2)(A).

13 “(B) TRANSFERS TO 1992 AND 1993
14 PLANS.—As soon as practicable after the begin-
15 ning of fiscal year 2008 and each fiscal year
16 thereafter, and before making any allocation
17 with respect to the fiscal year under subsection
18 (g), the Secretary shall use an amount not to
19 exceed the amount of interest that the Sec-
20 retary estimates will be earned and paid to the
21 fund during the fiscal year (reduced by the
22 amount used under subparagraph (A)) to make
23 the transfers described in paragraphs (2)(B)
24 and (2)(C).

1 “(2) TRANSFERS DESCRIBED.—The transfers
2 referred to in paragraph (1) are the following:

3 “(A) UNITED MINE WORKERS OF AMERICA
4 COMBINED BENEFIT FUND.—A transfer to the
5 United Mine Workers of America Combined
6 Benefit Fund equal to the amount that the
7 trustees of the Combined Benefit Fund esti-
8 mate will be expended from the fund for the fis-
9 cal year in which the transfer is made, reduced
10 by—

11 “(i) the amount the trustees of the
12 Combined Benefit Fund estimate the Com-
13 bined Benefit Fund will receive during the
14 fiscal year in—

15 “(I) required premiums; and

16 “(II) payments paid by Federal
17 agencies in connection with benefits
18 provided by the Combined Benefit
19 Fund; and

20 “(ii) the amount the trustees of the
21 Combined Benefit Fund estimate will be
22 expended during the fiscal year to provide
23 health benefits to beneficiaries who are un-
24 assigned beneficiaries solely as a result of
25 the application of section 9706(h)(1) of the

1 Internal Revenue Code of 1986, but only
2 to the extent that such amount does not
3 exceed the amounts described in subsection
4 (i)(1)(A) that the Secretary estimates will
5 be available to pay such estimated expendi-
6 tures.

7 “(B) UNITED MINE WORKERS OF AMERICA
8 1992 BENEFIT PLAN.—A transfer to the United
9 Mine Workers of America 1992 Benefit Plan, in
10 an amount equal to the difference between—

11 “(i) the amount that the trustees of
12 the 1992 UMWA Benefit Plan estimate
13 will be expended from the 1992 UMWA
14 Benefit Plan during the next calendar year
15 to provide the benefits required by the
16 1992 UMWA Benefit Plan on the date of
17 enactment of this subparagraph; minus

18 “(ii) the amount that the trustees of
19 the 1992 UMWA Benefit Plan estimate
20 the 1992 UMWA Benefit Plan will receive
21 during the next calendar year in—

22 “(I) required monthly per bene-
23 ficiary premiums, including the
24 amount of any security provided to
25 the 1992 UMWA Benefit Plan that is

1 available for use in the provision of
2 benefits; and

3 “(II) payments paid by Federal
4 agencies in connection with benefits
5 provided by the 1992 UMWA benefit
6 plan.

7 “(C) MULTIEMPLOYER HEALTH BENEFIT
8 PLAN.—A transfer to the Multiemployer Health
9 Benefit Plan established after July 20, 1992,
10 by the parties that are the settlors of the 1992
11 UMWA Benefit Plan referred to in subpara-
12 graph (B) (referred to in this subparagraph and
13 subparagraph (D) as ‘the Plan’), in an amount
14 equal to the excess (if any) of—

15 “(i) the amount that the trustees of
16 the Plan estimate will be expended from
17 the Plan during the next calendar year, to
18 provide benefits no greater than those pro-
19 vided by the Plan as of December 31,
20 2006; over

21 “(ii) the amount that the trustees es-
22 timated the Plan will receive during the
23 next calendar year in payments paid by
24 Federal agencies in connection with bene-
25 fits provided by the Plan.

1 Such excess shall be calculated by taking into
2 account only those beneficiaries actually en-
3 rolled in the Plan as of December 31, 2006,
4 who are eligible to receive benefits under the
5 Plan on the first day of the calendar year for
6 which the transfer is made.

7 “(D) INDIVIDUALS CONSIDERED EN-
8 ROLLED.—For purposes of subparagraph (C),
9 any individual who was eligible to receive bene-
10 fits from the Plan as of the date of enactment
11 of this subsection, even though benefits were
12 being provided to the individual pursuant to a
13 settlement agreement approved by order of a
14 bankruptcy court entered on or before Sep-
15 tember 30, 2004, will be considered to be actu-
16 ally enrolled in the Plan and shall receive bene-
17 fits from the Plan beginning on December 31,
18 2006.

19 “(3) ADJUSTMENT.—If, for any fiscal year, the
20 amount of a transfer under subparagraph (A), (B),
21 or (C) of paragraph (2) is more or less than the
22 amount required to be transferred under that sub-
23 paragraph, the Secretary shall appropriately adjust
24 the amount transferred under that subparagraph for
25 the next fiscal year.

1 “(4) ADDITIONAL AMOUNTS.—

2 “(A) PREVIOUSLY CREDITED INTEREST.—

3 Notwithstanding any other provision of law, any
4 interest credited to the fund that has not pre-
5 viously been transferred to the Combined Ben-
6 efit Fund referred to in paragraph (2)(A) under
7 this section—

8 “(i) shall be held in reserve by the
9 Secretary until such time as necessary to
10 make the payments under subparagraphs
11 (A) and (B) of subsection (i)(1), as de-
12 scribed in clause (ii); and

13 “(ii) in the event that the amounts de-
14 scribed in subsection (i)(1) are insufficient
15 to make the maximum payments described
16 in subparagraphs (A) and (B) of sub-
17 section (i)(1), shall be used by the Sec-
18 retary to supplement the payments so that
19 the maximum amount permitted under
20 those paragraphs is paid.

21 “(B) PREVIOUSLY ALLOCATED
22 AMOUNTS.—All amounts allocated under sub-
23 section (g)(2) before the date of enactment of
24 this subparagraph for the program described in
25 section 406, but not appropriated before that

1 date, shall be available to the Secretary to make
2 the transfers described in paragraph (2).

3 “(C) ADEQUACY OF PREVIOUSLY CRED-
4 ITED INTEREST.—The Secretary shall—

5 “(i) consult with the trustees of the
6 plans described in paragraph (2) at rea-
7 sonable intervals; and

8 “(ii) notify Congress if a determina-
9 tion is made that the amounts held in re-
10 serve under subparagraph (A) are insuffi-
11 cient to meet future requirements under
12 subparagraph (A)(ii).

13 “(D) ADDITIONAL RESERVE AMOUNTS.—
14 In addition to amounts held in reserve under
15 subparagraph (A), there is authorized to be ap-
16 propriated such sums as may be necessary for
17 transfer to the fund to carry out the purposes
18 of subparagraph (A)(ii).

19 “(E) INAPPLICABILITY OF CAP.—The limi-
20 tation described in subsection (i)(3)(A) shall
21 not apply to payments made from the reserve
22 fund under this paragraph.

23 “(5) LIMITATIONS.—

24 “(A) AVAILABILITY OF FUNDS FOR NEXT
25 FISCAL YEAR.—The Secretary may make trans-

1 fers under subparagraphs (B) and (C) of para-
2 graph (2) for a calendar year only if the Sec-
3 retary determines, using actuarial projections
4 provided by the trustees of the Combined Ben-
5 efit Fund referred to in paragraph (2)(A), that
6 amounts will be available under paragraph (1),
7 after the transfer, for the next fiscal year for
8 making the transfer under paragraph (2)(A).

9 “(B) RATE OF CONTRIBUTIONS OF OBLI-
10 GORS.—

11 “(i) IN GENERAL.—

12 “(I) RATE.—A transfer under
13 paragraph (2)(C) shall not be made
14 for a calendar year unless the persons
15 that are obligated to contribute to the
16 plan referred to in paragraph (2)(C)
17 on the date of the transfer are obli-
18 gated to make the contributions at
19 rates that are no less than those in ef-
20 fect on the date which is 30 days be-
21 fore the date of enactment of this sub-
22 section.

23 “(II) APPLICATION.—The con-
24 tributions described in subclause (I)
25 shall be applied first to the provision

1 of benefits to those plan beneficiaries
2 who are not described in paragraph
3 (2)(C)(ii).

4 “(ii) INITIAL CONTRIBUTIONS.—

5 “(I) IN GENERAL.—From the
6 date of enactment of the Surface Min-
7 ing Control and Reclamation Act
8 Amendments of 2006 through Decem-
9 ber 31, 2010, the persons that, on the
10 date of enactment of that Act, are ob-
11 ligated to contribute to the plan re-
12 ferred to in paragraph (2)(C) shall be
13 obligated, collectively, to make con-
14 tributions equal to the amount de-
15 scribed in paragraph (2)(C), less the
16 amount actually transferred due to
17 the operation of subparagraph (C).

18 “(II) FIRST CALENDAR YEAR.—
19 Calendar year 2006 is the first cal-
20 endar year for which contributions are
21 required under this clause.

22 “(III) AMOUNT OF CONTRIBU-
23 TION FOR 2006.—Except as provided
24 in subclause (IV), the amount de-
25 scribed in paragraph (2)(C) for cal-

1 endar year 2006 shall be calculated as
2 if paragraph (2)(C) had been in effect
3 during 2005.

4 “(IV) LIMITATION.—The con-
5 tributions required under this clause
6 for calendar year 2006 shall not ex-
7 ceed the amount necessary for sol-
8 vency of the plan described in para-
9 graph (2)(C), measured as of Decem-
10 ber 31, 2006 and taking into account
11 all assets held by the plan as of that
12 date.

13 “(iii) DIVISION.—The collective an-
14 nual contribution obligation required under
15 clause (ii) shall be divided among the per-
16 sons subject to the obligation, and applied
17 uniformly, based on the hours worked for
18 which contributions referred to in clause
19 (i) would be owed.

20 “(C) PHASE-IN OF TRANSFERS.—For each
21 of calendar years 2008 through 2010, the
22 transfers required under subparagraphs (B)
23 and (C) of paragraph (2) shall equal the fol-
24 lowing amounts:

1 “(i) For calendar year 2008, the Sec-
2 retary shall make transfers equal to 25
3 percent of the amounts that would other-
4 wise be required under subparagraphs (B)
5 and (C) of paragraph (2).

6 “(ii) For calendar year 2009, the Sec-
7 retary shall make transfers equal to 50
8 percent of the amounts that would other-
9 wise be required under subparagraphs (B)
10 and (C) of paragraph (2).

11 “(iii) For calendar year 2010, the
12 Secretary shall make transfers equal to 75
13 percent of the amounts that would other-
14 wise be required under subparagraphs (B)
15 and (C) of paragraph (2).

16 “(i) FUNDING.—

17 “(1) IN GENERAL.—Subject to paragraph (3),
18 out of any funds in the Treasury not otherwise ap-
19 propriated, the Secretary of the Treasury shall
20 transfer to the plans described in subsection (h)(2)
21 such sums as are necessary to pay the following
22 amounts:

23 “(A) To the Combined Fund (as defined in
24 section 9701(a)(5) of the Internal Revenue
25 Code of 1986 and referred to in this paragraph

1 as the ‘Combined Fund’), the amount that the
2 trustees of the Combined Fund estimate will be
3 expended from premium accounts maintained
4 by the Combined Fund for the fiscal year to
5 provide benefits for beneficiaries who are unas-
6 signed beneficiaries solely as a result of the ap-
7 plication of section 9706(h)(1) of the Internal
8 Revenue Code of 1986, subject to the following
9 limitations:

10 “(i) For fiscal year 2008, the amount
11 paid under this subparagraph shall equal—

12 “(I) the amount described in sub-
13 paragraph (A); minus

14 “(II) the amounts required under
15 section 9706(h)(3)(A) of the Internal
16 Revenue Code of 1986.

17 “(ii) For fiscal year 2009, the amount
18 paid under this subparagraph shall equal—

19 “(I) the amount described in sub-
20 paragraph (A); minus

21 “(II) the amounts required under
22 section 9706(h)(3)(B) of the Internal
23 Revenue Code of 1986.

1 “(iii) For fiscal year 2010, the
2 amount paid under this subparagraph shall
3 equal—

4 “(I) the amount described in sub-
5 paragraph (A); minus

6 “(II) the amounts required under
7 section 9706(h)(3)(C) of the Internal
8 Revenue Code of 1986.

9 “(B) On certification by the trustees of
10 any plan described in subsection (h)(2) that the
11 amount available for transfer by the Secretary
12 pursuant to this section (determined after ap-
13 plication of any limitation under subsection
14 (h)(5)) is less than the amount required to be
15 transferred, to the plan the amount necessary
16 to meet the requirement of subsection (h)(2).

17 “(C) To the Combined Fund, \$9,000,000
18 on October 1, 2007, \$9,000,000 on October 1,
19 2008, and \$9,000,000 on October 1, 2009
20 (which amounts shall not be exceeded) to pro-
21 vide a refund of any premium (as described in
22 section 9704(a) of the Internal Revenue Code
23 of 1986) paid on or before September 7, 2000,
24 to the Combined Fund, plus interest on the pre-
25 mium calculated at the rate of 7.5 percent per

1 year, on a proportional basis and to be paid not
2 later than 60 days after the date on which each
3 payment is received by the Combined Fund, to
4 those signatory operators (to the extent that
5 the Combined Fund has not previously returned
6 the premium amounts to the operators), or any
7 related persons to the operators (as defined in
8 section 9701(e) of the Internal Revenue Code of
9 1986), or their heirs, successors, or assigns who
10 have been denied the refunds as the result of
11 final judgments or settlements if—

12 “(i) prior to the date of enactment of
13 this paragraph, the signatory operator (or
14 any related person to the operator)—

15 “(I) had all of its beneficiary as-
16 signments made under section 9706 of
17 the Internal Revenue Code of 1986
18 voided by the Commissioner of the So-
19 cial Security Administration; and

20 “(II) was subject to a final judg-
21 ment or final settlement of litigation
22 adverse to a claim by the operator
23 that the assignment of beneficiaries
24 under section 9706 of the Internal
25 Revenue Code of 1986 was unconsti-

1 tutional as applied to the operator;
2 and

3 “(ii) on or before September 7, 2000,
4 the signatory operator (or any related per-
5 son to the operator) had paid to the Com-
6 bined Fund any premium amount that had
7 not been refunded.

8 “(2) PAYMENTS TO STATES AND INDIAN
9 TRIBES.—Subject to paragraph (3), out of any funds
10 in the Treasury not otherwise appropriated, the Sec-
11 retary of the Treasury shall transfer to the Sec-
12 retary of the Interior for distribution to States and
13 Indian tribes such sums as are necessary to pay
14 amounts described in paragraphs (1)(A) and (2)(A)
15 of section 411(h).

16 “(3) LIMITATIONS.—

17 “(A) CAP.—The total amount transferred
18 under this subsection for any fiscal year shall
19 not exceed \$490,000,000.

20 “(B) INSUFFICIENT AMOUNTS.—In a case
21 in which the amount required to be transferred
22 without regard to this paragraph exceeds the
23 maximum annual limitation in subparagraph
24 (A), the Secretary shall adjust the transfers of
25 funds so that—

1 “(i) each transfer for the fiscal year is
2 a percentage of the amount described;

3 “(ii) the amount is determined with-
4 out regard to subsection (h)(5)(A); and

5 “(iii) the percentage transferred is the
6 same for all transfers made under this sub-
7 section for the fiscal year.

8 “(4) AVAILABILITY OF FUNDS.—Funds shall be
9 transferred under paragraph (1) and (2) beginning
10 in fiscal year 2008 and each fiscal year thereafter,
11 and shall remain available until expended.”.

12 **SEC. 313. OBJECTIVES OF FUND.**

13 Section 403 of the Surface Mining Control and Rec-
14 lamation Act of 1977 (30 U.S.C. 1233) is amended—

15 (1) in subsection (a)—

16 (A) in paragraph (1)—

17 (i) by striking “(1) the protection”
18 and inserting the following:

19 “(1)(A) the protection;”;

20 (ii) in subparagraph (A) (as des-
21 ignated by clause (i)), by striking “general
22 welfare;” and

23 (iii) by adding at the end the fol-
24 lowing:

1 “(B) the restoration of land and water re-
2 sources and the environment that—

3 “(i) have been degraded by the adverse ef-
4 fects of coal mining practices; and

5 “(ii) are adjacent to a site that has been
6 or will be remediated under subparagraph
7 (A);”;

8 (B) in paragraph (2)—

9 (i) by striking “(2) the protection”
10 and inserting the following:

11 “(2)(A) the protection”;

12 (ii) in subparagraph (A) (as des-
13 ignated by clause (i), by striking “health,
14 safety, and general welfare” and inserting
15 “health and safety”; and

16 (iii) by adding at the end the fol-
17 lowing:

18 “(B) the restoration of land and water re-
19 sources and the environment that—

20 “(i) have been degraded by the adverse ef-
21 fects of coal mining practices; and

22 “(ii) are adjacent to a site that has been
23 or will be remediated under subparagraph (A);
24 and”;

1 (C) in paragraph (3), by striking the semi-
2 colon at the end and inserting a period; and

3 (D) by striking paragraphs (4) and (5);
4 (2) in subsection (b)—

5 (A) by striking the subsection heading and
6 inserting “WATER SUPPLY RESTORATION.—”;
7 and

8 (B) in paragraph (1), by striking “up to
9 30 percent of the”; and

10 (3) in the second sentence of subsection (c), by
11 inserting “, subject to the approval of the Sec-
12 retary,” after “amendments”.

13 **SEC. 314. RECLAMATION OF RURAL LAND.**

14 (a) ADMINISTRATION.—Section 406(h) of the Sur-
15 face Mining Control and Reclamation Act of 1977 (30
16 U.S.C. 1236(h)) is amended by striking “Soil Conserva-
17 tion Service” and inserting “Natural Resources Conserva-
18 tion Service”.

19 (b) AUTHORIZATION OF APPROPRIATIONS FOR CAR-
20 RYING OUT RURAL LAND RECLAMATION.—Section 406 of
21 the Surface Mining Control and Reclamation Act of 1977
22 (30 U.S.C. 1236) is amended by adding at the end the
23 following:

24 “(i) There are authorized to be appropriated to the
25 Secretary of Agriculture, from amounts in the Treasury

1 other than amounts in the fund, such sums as may be
2 necessary to carry out this section.”.

3 **SEC. 315. LIENS.**

4 Section 408(a) of the Surface Mining Control and
5 Reclamation Act of 1977 (30 U.S.C. 1238) is amended
6 in the last sentence by striking “who owned the surface
7 prior to May 2, 1977, and”.

8 **SEC. 316. CERTIFICATION.**

9 Section 411 of the Surface Mining Control and Rec-
10 lamation Act of 1977 (30 U.S.C. 1240a) is amended—

11 (1) in subsection (a)—

12 (A) by inserting “(1)” before the first sen-
13 tence; and

14 (B) by adding at the end the following:

15 “(2)(A) The Secretary may, on the initiative of the
16 Secretary, make the certification referred to in paragraph
17 (1) on behalf of any State or Indian tribe referred to in
18 paragraph (1) if on the basis of the inventory referred to
19 in section 403(c) all reclamation projects relating to the
20 priorities described in section 403(a) for eligible land and
21 water pursuant to section 404 in the State or tribe have
22 been completed.

23 “(B) The Secretary shall only make the certification
24 after notice in the Federal Register and opportunity for
25 public comment.”; and

1 (2) by adding at the end the following:

2 “(h) PAYMENTS TO STATES AND INDIAN TRIBES.—

3 “(1) IN GENERAL.—

4 “(A) PAYMENTS.—

5 “(i) IN GENERAL.—Notwithstanding
6 section 401(f)(3)(B), from funds referred
7 to in section 402(i)(2), the Secretary shall
8 make payments to States or Indian tribes
9 for the amount due for the aggregate un-
10 appropriated amount allocated to the State
11 or Indian tribe under subparagraph (A) or
12 (B) of section 402(g)(1).

13 “(ii) CONVERSION AS EQUIVALENT
14 PAYMENTS.—Amounts allocated under sub-
15 paragraphs (A) or (B) of section 402(g)(1)
16 shall be reallocated to the allocation estab-
17 lished in section 402(g)(5) in amounts
18 equivalent to payments made to States or
19 Indian tribes under this paragraph.

20 “(B) AMOUNT DUE.—In this paragraph,
21 the term ‘amount due’ means the unappropri-
22 ated amount allocated to a State or Indian tribe
23 before October 1, 2007, under subparagraph
24 (A) or (B) of section 402(g)(1).

1 “(C) SCHEDULE.—Payments under sub-
2 paragraph (A) shall be made in 7 equal annual
3 installments, beginning with fiscal year 2008.

4 “(D) USE OF FUNDS.—

5 “(i) CERTIFIED STATES AND INDIAN
6 TRIBES.—A State or Indian tribe that
7 makes a certification under subsection (a)
8 in which the Secretary concurs shall use
9 any amounts provided under this para-
10 graph for the purposes established by the
11 State legislature or tribal council of the In-
12 dian tribe, with priority given for address-
13 ing the impacts of mineral development.

14 “(ii) UNCERTIFIED STATES AND IN-
15 DIAN TRIBES.—A State or Indian tribe
16 that has not made a certification under
17 subsection (a) in which the Secretary has
18 concurred shall use any amounts provided
19 under this paragraph for the purposes de-
20 scribed in section 403.

21 “(2) SUBSEQUENT STATE AND INDIAN TRIBE
22 SHARE FOR CERTIFIED STATES AND INDIAN
23 TRIBES.—

24 “(A) IN GENERAL.—Notwithstanding sec-
25 tion 401(f)(3)(B), from funds referred to in

1 section 402(i)(2), the Secretary shall pay to
2 each certified State or Indian tribe an amount
3 equal to the sum of the aggregate unappropri-
4 ated amount allocated on or after October 1,
5 2007, to the certified State or Indian tribe
6 under subparagraph (A) or (B) of section
7 402(g)(1).

8 “(B) CERTIFIED STATE OR INDIAN TRIBE
9 DEFINED.—In this paragraph the term ‘cer-
10 tified State or Indian tribe’ means a State or
11 Indian tribe for which a certification is made
12 under subsection (a) in which the Secretary
13 concurs.

14 “(3) MANNER OF PAYMENT.—

15 “(A) IN GENERAL.—Subject to subpara-
16 graph (B), payments to States or Indian tribes
17 under this subsection shall be made without re-
18 gard to any limitation in section 401(d) and
19 concurrently with payments to States under
20 that section.

21 “(B) INITIAL PAYMENTS.—The first 3 pay-
22 ments made to any State or Indian tribe shall
23 be reduced to 25 percent, 50 percent, and 75
24 percent, respectively, of the amounts otherwise
25 required under paragraph (2)(A).

1 “(C) **INSTALLMENTS.**—Amounts withheld
2 from the first 3 annual installments as provided
3 under subparagraph (B) shall be paid in 2
4 equal annual installments beginning with fiscal
5 year 2018.

6 “(4) **REALLOCATION.**—

7 “(A) **IN GENERAL.**—The amount allocated
8 to any State or Indian tribe under subpara-
9 graph (A) or (B) of section 402(g)(1) that is
10 paid to the State or Indian tribe as a result of
11 a payment under paragraph (1) or (2) shall be
12 reallocated and available for grants under sec-
13 tion 402(g)(5).

14 “(B) **ALLOCATION.**—The grants shall be
15 allocated based on the amount of coal histori-
16 cally produced before August 3, 1977, in the
17 same manner as under section 402(g)(5).”.

18 **SEC. 317. REMINING INCENTIVES.**

19 Title IV of the Surface Mining Control and Reclama-
20 tion Act of 1977 (30 U.S.C. 1231 et seq.) is amended by
21 adding at the following:

22 **“SEC. 415. REMINING INCENTIVES.**

23 “(a) **IN GENERAL.**—Notwithstanding any other pro-
24 vision of this Act, the Secretary may, after opportunity
25 for public comment, promulgate regulations that describe

1 conditions under which amounts in the fund may be used
2 to provide incentives to promote reining of eligible land
3 under section 404 in a manner that leverages the use of
4 amounts from the fund to achieve more reclamation with
5 respect to the eligible land than would be achieved without
6 the incentives.

7 “(b) REQUIREMENTS.—Any regulations promulgated
8 under subsection (a) shall specify that the incentives shall
9 apply only if the Secretary determines, with the concur-
10 rence of the State regulatory authority referred to in title
11 V, that, without the incentives, the eligible land would not
12 be likely to be reined and reclaimed.

13 “(c) INCENTIVES.—

14 “(1) IN GENERAL.—Incentives that may be con-
15 sidered for inclusion in the regulations promulgated
16 under subsection (a) include, but are not limited
17 to—

18 “(A) a rebate or waiver of the reclamation
19 fees required under section 402(a); and

20 “(B) the use of amounts in the fund to
21 provide financial assurance for reining oper-
22 ations in lieu of all or a portion of the perform-
23 ance bonds required under section 509.

24 “(2) LIMITATIONS.—

1 “(A) USE.—A rebate or waiver under
2 paragraph (1)(A) shall be used only for oper-
3 ations that—

4 “(i) remove or reprocess abandoned
5 coal mine waste; or

6 “(ii) conduct remining activities that
7 meet the priorities specified in paragraph
8 (1) or (2) of section 403(a).

9 “(B) AMOUNT.—The amount of a rebate
10 or waiver provided as an incentive under para-
11 graph (1)(A) to remine or reclaim eligible land
12 shall not exceed the estimated cost of reclaim-
13 ing the eligible land under this section.”.

14 **SEC. 318. EXTENSION OF LIMITATION ON APPLICATION OF**
15 **PROHIBITION ON ISSUANCE OF PERMIT.**

16 Section 510(e) of the Surface Mining Control and
17 Reclamation Act of 1977 (30 U.S.C. 1260(e)) is amended
18 by striking the last sentence.

19 **SEC. 319. TRIBAL REGULATION OF SURFACE COAL MINING**
20 **AND RECLAMATION OPERATIONS.**

21 (a) IN GENERAL.—Section 710 of the Surface Min-
22 ing Control and Reclamation Act of 1977 (30 U.S.C.
23 1300) is amended by adding at the end the following:

24 “(j) TRIBAL REGULATORY AUTHORITY.—

25 “(1) TRIBAL REGULATORY PROGRAMS.—

1 “(A) IN GENERAL.—Notwithstanding any
2 other provision of law, an Indian tribe may
3 apply for, and obtain the approval of, a tribal
4 program under section 503 regulating in whole
5 or in part surface coal mining and reclamation
6 operations on reservation land under the juris-
7 diction of the Indian tribe using the procedures
8 of section 504(e).

9 “(B) REFERENCES TO STATE.—For pur-
10 poses of this subsection and the implementation
11 and administration of a tribal program under
12 title V, any reference to a ‘State’ in this Act
13 shall be considered to be a reference to a ‘tribe’.

14 “(2) CONFLICTS OF INTEREST.—

15 “(A) IN GENERAL.—The fact that an indi-
16 vidual is a member of an Indian tribe does not
17 in itself constitute a violation of section 201(f).

18 “(B) EMPLOYEES OF TRIBAL REGULATORY
19 AUTHORITY.—Any employee of a tribal regu-
20 latory authority shall not be eligible for a per
21 capita distribution of any proceeds from coal
22 mining operations conducted on Indian reserva-
23 tion lands under this Act.

24 “(3) SOVEREIGN IMMUNITY.—To receive pri-
25 mary regulatory authority under section 504(e), an

1 Indian tribe shall waive sovereign immunity for pur-
2 poses of section 520 and paragraph (4).

3 “(4) JUDICIAL REVIEW.—

4 “(A) CIVIL ACTIONS.—

5 “(i) IN GENERAL.—After exhausting
6 all tribal remedies with respect to a civil
7 action arising under a tribal program ap-
8 proved under section 504(e), an interested
9 party may file a petition for judicial review
10 of the civil action in the United States cir-
11 cuit court for the circuit in which the sur-
12 face coal mining operation named in the
13 petition is located.

14 “(ii) SCOPE OF REVIEW.—

15 “(I) QUESTIONS OF LAW.—The
16 United States circuit court shall re-
17 view de novo any questions of law
18 under clause (i).

19 “(II) FINDINGS OF FACT.—The
20 United States circuit court shall re-
21 view findings of fact under clause (i)
22 using a clearly erroneous standard.

23 “(B) CRIMINAL ACTIONS.—Any criminal
24 action brought under section 518 with respect
25 to surface coal mining or reclamation oper-

1 ations on Indian reservation lands shall be
2 brought in—

3 “(i) the United States District Court
4 for the District of Columbia; or

5 “(ii) the United States district court
6 in which the criminal activity is alleged to
7 have occurred.

8 “(5) GRANTS.—

9 “(A) IN GENERAL.—Except as provided in
10 subparagraph (B), grants for developing, ad-
11 ministering, and enforcing tribal programs ap-
12 proved in accordance with section 504(e) shall
13 be provided to an Indian tribe in accordance
14 with section 705.

15 “(B) EXCEPTION.—Notwithstanding sub-
16 paragraph (A), the Federal share of the costs
17 of developing, administering, and enforcing an
18 approved tribal program shall be 100 percent.

19 “(6) REPORT.—Not later than 18 months after
20 the date on which a tribal program is approved
21 under subsection (e) of section 504, the Secretary
22 shall submit to the appropriate committees of Con-
23 gress a report, developed in cooperation with the ap-
24 plicable Indian tribe, on the tribal program that in-
25 cludes a recommendation of the Secretary on wheth-

1 er primary regulatory authority under that sub-
 2 section should be expanded to include additional In-
 3 dian lands.”.

4 (b) CONFORMING AMENDMENT.—Section 710(i) of
 5 the Surface Mining Control and Reclamation Act of 1977
 6 (30 U.S.C. 1300(i)) is amended in the first sentence by
 7 striking “, except” and all that follows through “section
 8 503”.

9 **Subtitle B—Coal Industry Retiree**
 10 **Health Benefit Act**

11 **SEC. 321. CERTAIN RELATED PERSONS AND SUCCESSORS**
 12 **IN INTEREST RELIEVED OF LIABILITY IF PRE-**
 13 **MIUMS PREPAID.**

14 (a) COMBINED BENEFIT FUND.—

15 (1) IN GENERAL.—Section 9704 of the Internal
 16 Revenue Code of 1986 (relating to liability of as-
 17 signed operators) is amended by adding at the end
 18 the following new subsection:

19 “(j) PREPAYMENT OF PREMIUM LIABILITY.—

20 “(1) IN GENERAL.—If—

21 “(A) a payment meeting the requirements
 22 of paragraph (3) is made to the Combined
 23 Fund by or on behalf of—

24 “(i) any assigned operator to which
 25 this subsection applies, or

1 “(ii) any related person to any as-
2 signed operator described in clause (i), and

3 “(B) the common parent of the controlled
4 group of corporations described in paragraph
5 (2)(B) is jointly and severally liable for any pre-
6 mium under this section which (but for this
7 subsection) would be required to be paid by the
8 assigned operator or related person,

9 then such common parent (and no other person)
10 shall be liable for such premium.

11 “(2) ASSIGNED OPERATORS TO WHICH SUB-
12 SECTION APPLIES.—

13 “(A) IN GENERAL.—This subsection shall
14 apply to any assigned operator if—

15 “(i) the assigned operator (or a re-
16 lated person to the assigned operator)—

17 “(I) made contributions to the
18 1950 UMWA Benefit Plan and the
19 1974 UMWA Benefit Plan for em-
20 ployment during the period covered by
21 the 1988 agreement; and

22 “(II) is not a 1988 agreement
23 operator,

24 “(ii) the assigned operator (and all re-
25 lated persons to the assigned operator) are

1 not actively engaged in the production of
2 coal as of July 1, 2005, and

3 “(iii) the assigned operator was, as of
4 July 20, 1992, a member of a controlled
5 group of corporations described in sub-
6 paragraph (B).

7 “(B) CONTROLLED GROUP OF CORPORA-
8 TIONS.—A controlled group of corporations is
9 described in this subparagraph if the common
10 parent of such group is a corporation the shares
11 of which are publicly traded on a United States
12 exchange.

13 “(C) COORDINATION WITH REPEAL OF AS-
14 SIGNMENTS.—A person shall not fail to be
15 treated as an assigned operator to which this
16 subsection applies solely because the person
17 ceases to be an assigned operator by reason of
18 section 9706(h)(1) if the person otherwise
19 meets the requirements of this subsection and
20 is liable for the payment of premiums under
21 section 9706(h)(3).

22 “(D) CONTROLLED GROUP.—For purposes
23 of this subsection, the term ‘controlled group of
24 corporations’ has the meaning given such term
25 by section 52(a).

1 “(3) REQUIREMENTS.—A payment meets the
2 requirements of this paragraph if—

3 “(A) the amount of the payment is not less
4 than the present value of the total premium li-
5 ability under this chapter with respect to the
6 Combined Fund of the assigned operators or re-
7 lated persons described in paragraph (1) or
8 their assignees, as determined by the operator’s
9 or related person’s enrolled actuary (as defined
10 in section 7701(a)(35)) using actuarial methods
11 and assumptions each of which is reasonable
12 and which are reasonable in the aggregate, as
13 determined by such enrolled actuary;

14 “(B) such enrolled actuary files with the
15 Secretary of Labor a signed actuarial report
16 containing—

17 “(i) the date of the actuarial valuation
18 applicable to the report; and

19 “(ii) a statement by the enrolled actu-
20 ary signing the report that, to the best of
21 the actuary’s knowledge, the report is com-
22 plete and accurate and that in the actu-
23 ary’s opinion the actuarial assumptions
24 used are in the aggregate reasonably re-

1 lated to the experience of the operator and
2 to reasonable expectations; and

3 “(C) 90 calendar days have elapsed after
4 the report required by subparagraph (B) is filed
5 with the Secretary of Labor, and the Secretary
6 of Labor has not notified the assigned operator
7 in writing that the requirements of this para-
8 graph have not been satisfied.

9 “(4) USE OF PREPAYMENT.—The Combined
10 Fund shall—

11 “(A) establish and maintain an account for
12 each assigned operator or related person by, or
13 on whose behalf, a payment described in para-
14 graph (3) was made,

15 “(B) credit such account with such pay-
16 ment (and any earnings thereon), and

17 “(C) use all amounts in such account ex-
18 clusively to pay premiums that would (but for
19 this subsection) be required to be paid by the
20 assigned operator.

21 Upon termination of the obligations for the premium
22 liability of any assigned operator or related person
23 for which such account is maintained, all funds re-
24 maining in such account (and earnings thereon)
25 shall be refunded to such person as may be des-

1 ignated by the common parent described in para-
2 graph (1)(B).”.

3 (b) INDIVIDUAL EMPLOYER PLANS.—Section
4 9711(c) of the Internal Revenue Code of 1986 (relating
5 to joint and several liability) is amended to read as follows:

6 “(c) JOINT AND SEVERAL LIABILITY OF RELATED
7 PERSONS.—

8 “(1) IN GENERAL.—Except as provided in para-
9 graph (2), each related person of a last signatory op-
10 erator to which subsection (a) or (b) applies shall be
11 jointly and severally liable with the last signatory op-
12 erator for the provision of health care coverage de-
13 scribed in subsection (a) or (b).

14 “(2) LIABILITY LIMITED IF SECURITY PRO-
15 VIDED.—If—

16 “(A) security meeting the requirements of
17 paragraph (3) is provided by or on behalf of—

18 “(i) any last signatory operator which
19 is an assigned operator described in section
20 9704(j)(2), or

21 “(ii) any related person to any last
22 signatory operator described in clause (i),
23 and

24 “(B) the common parent of the controlled
25 group of corporations described in section

1 9704(j)(2)(B) is jointly and severally liable for
2 the provision of health care under this section
3 which, but for this paragraph, would be re-
4 quired to be provided by the last signatory op-
5 erator or related person,

6 then, as of the date the security is provided, such
7 common parent (and no other person) shall be liable
8 for the provision of health care under this section
9 which the last signatory operator or related person
10 would otherwise be required to provide. Security may
11 be provided under this paragraph without regard to
12 whether a payment was made under section 9704(j).

13 “(3) SECURITY.—Security meets the require-
14 ments of this paragraph if—

15 “(A) the security—

16 “(i) is in the form of a bond, letter of
17 credit, or cash escrow,

18 “(ii) is provided to the trustees of the
19 1992 UMWA Benefit Plan solely for the
20 purpose of paying premiums for bene-
21 ficiaries who would be described in section
22 9712(b)(2)(B) if the requirements of this
23 section were not met by the last signatory
24 operator, and

1 “(iii) is in an amount equal to 1 year
2 of liability of the last signatory operator
3 under this section, determined by using the
4 average cost of such operator’s liability
5 during the prior 3 calendar years;

6 “(B) the security is in addition to any
7 other security required under any other provi-
8 sion of this title; and

9 “(C) the security remains in place for 5
10 years.

11 “(4) REFUNDS OF SECURITY.—The remaining
12 amount of any security provided under this sub-
13 section (and earnings thereon) shall be refunded to
14 the last signatory operator as of the earlier of—

15 “(A) the termination of the obligations of
16 the last signatory operator under this section,
17 or

18 “(B) the end of the 5-year period described
19 in paragraph (4)(C).”.

20 (c) 1992 UMWA BENEFIT PLAN.—Section
21 9712(d)(4) of the Internal Revenue Code of 1986 (relating
22 to joint and several liability) is amended by adding at the
23 end the following new sentence: “The provisions of section
24 9711(c)(2) shall apply to any last signatory operator de-
25 scribed in such section (without regard to whether security

1 is provided under such section, a payment is made under
 2 section 9704(j), or both) and if security meeting the re-
 3 quirements of section 9711(c)(3) is provided, the common
 4 parent described in section 9711(c)(2)(B) shall be exclu-
 5 sively responsible for any liability for premiums under this
 6 section which, but for this sentence, would be required to
 7 be paid by the last signatory operator or any related per-
 8 son.”.

9 (d) SUCCESSOR IN INTEREST.—Section 9701(c) of
 10 the Internal Revenue Code of 1986 (relating to terms re-
 11 lating to operators) is amended by adding at the end the
 12 following new paragraph:

13 “(8) SUCCESSOR IN INTEREST.—

14 “(A) SAFE HARBOR.—The term ‘successor
 15 in interest’ shall not include any person who—

16 “(i) is an unrelated person to an eligi-
 17 ble seller described in subparagraph (C);
 18 and

19 “(ii) purchases for fair market value
 20 assets, or all of the stock, of a related per-
 21 son to such seller, in a bona fide, arm’s-
 22 length sale.

23 “(B) UNRELATED PERSON.—The term
 24 ‘unrelated person’ means a purchaser who does

1 not bear a relationship to the eligible seller de-
2 scribed in section 267(b).

3 “(C) ELIGIBLE SELLER.—For purposes of
4 this paragraph, the term ‘eligible seller’ means
5 an assigned operator described in section
6 9704(j)(2) or a related person to such assigned
7 operator.”.

8 (e) EFFECTIVE DATE.—The amendments made by
9 this section shall take effect on the date of the enactment
10 of this Act, except that the amendment made by sub-
11 section (d) shall apply to transactions after the date of
12 the enactment of this Act.

13 **SEC. 322. TRANSFERS TO FUNDS; PREMIUM RELIEF.**

14 (a) COMBINED FUND.—

15 (1) FEDERAL TRANSFERS.—Section 9705(b) of
16 the Internal Revenue Code of 1986 (relating to
17 transfers from Abandoned Mine Reclamation Fund)
18 is amended—

19 (A) in paragraph (1), by striking “section
20 402(h)” and inserting “subsections (h) and (i)
21 of section 402”;

22 (B) by striking paragraph (2) and insert-
23 ing the following new paragraph:

24 “(2) USE OF FUNDS.—Any amount transferred
25 under paragraph (1) for any fiscal year shall be used

1 to pay benefits and administrative costs of bene-
2 ficiaries of the Combined Fund or for such other
3 purposes as are specifically provided in the Acts de-
4 scribed in paragraph (1).”; and

5 (C) by striking “FROM ABANDONED MINE
6 RECLAMATION FUND”.

7 (2) MODIFICATIONS OF PREMIUMS TO REFLECT
8 FEDERAL TRANSFERS.—

9 (A) ELIMINATION OF UNASSIGNED BENE-
10 FICIARIES PREMIUM.—Section 9704(d) of such
11 Code (establishing unassigned beneficiaries pre-
12 mium) is amended to read as follows:

13 “(d) UNASSIGNED BENEFICIARIES PREMIUM.—

14 “(1) PLAN YEARS ENDING ON OR BEFORE SEP-
15 TEMBER 30, 2006.—For plan years ending on or be-
16 fore September 30, 2006, the unassigned bene-
17 ficiaries premium for any assigned operator shall be
18 equal to the applicable percentage of the product of
19 the per beneficiary premium for the plan year multi-
20 plied by the number of eligible beneficiaries who are
21 not assigned under section 9706 to any person for
22 such plan year.

23 “(2) PLAN YEARS BEGINNING ON OR AFTER OC-
24 TOBER 1, 2006.—

1 “(A) IN GENERAL.—For plan years begin-
2 ning on or after October 1, 2006, subject to
3 subparagraph (B), there shall be no unassigned
4 beneficiaries premium, and benefit costs with
5 respect to eligible beneficiaries who are not as-
6 signed under section 9706 to any person for
7 any such plan year shall be paid from amounts
8 transferred under section 9705(b).

9 “(B) INADEQUATE TRANSFERS.—If, for
10 any plan year beginning on or after October 1,
11 2006, the amounts transferred under section
12 9705(b) are less than the amounts required to
13 be transferred to the Combined Fund under
14 subsection (h)(2)(A) or (i) of section 402 of the
15 Surface Mining Control and Reclamation Act of
16 1977 (30 U.S.C. 1232)), then the unassigned
17 beneficiaries premium for any assigned operator
18 shall be equal to the operator’s applicable per-
19 centage of the amount required to be so trans-
20 ferred which was not so transferred.”.

21 (B) PREMIUM ACCOUNTS.—

22 (i) CREDITING OF ACCOUNTS.—Sec-
23 tion 9704(e)(1) of such Code (relating to
24 premium accounts; adjustments) is amend-
25 ed by inserting “and amounts transferred

1 under section 9705(b)” after “premiums
2 received”.

3 (ii) SURPLUSES ATTRIBUTABLE TO
4 PUBLIC FUNDING.—Section 9704(e)(3)(A)
5 of such Code is amended by adding at the
6 end the following new sentence: “Amounts
7 credited to an account from amounts
8 transferred under section 9705(b) shall not
9 be taken into account in determining
10 whether there is a surplus in the account
11 for purposes of this paragraph.”.

12 (C) APPLICABLE PERCENTAGE.—Section
13 9704(f)(2) of such Code (relating to annual ad-
14 justments) is amended by adding at the end the
15 following new subparagraph:

16 “(C) In the case of plan years beginning
17 on or after October 1, 2007, the total number
18 of assigned eligible beneficiaries shall be re-
19 duced by the eligible beneficiaries whose assign-
20 ments have been revoked under section
21 9706(h).”.

22 (3) ASSIGNMENTS AND REASSIGNMENT.—Sec-
23 tion 9706 of the Internal Revenue Code of 1986 (re-
24 lating to assignment of eligible beneficiaries) is
25 amended by adding at the end the following:

1 “(h) ASSIGNMENTS AS OF OCTOBER 1, 2007.—

2 “(1) IN GENERAL.—Subject to the premium ob-
3 ligation set forth in paragraph (3), the Commis-
4 sioner of Social Security shall—

5 “(A) revoke all assignments to persons
6 other than 1988 agreement operators for pur-
7 poses of assessing premiums for plan years be-
8 ginning on and after October 1, 2007; and

9 “(B) make no further assignments to per-
10 sons other than 1988 agreement operators, ex-
11 cept that no individual who becomes an unas-
12 signed beneficiary by reason of subparagraph
13 (A) may be assigned to a 1988 agreement oper-
14 ator.

15 “(2) REASSIGNMENT UPON PURCHASE.—This
16 subsection shall not be construed to prohibit the re-
17 assignment under subsection (b)(2) of an eligible
18 beneficiary.

19 “(3) LIABILITY OF PERSONS DURING THREE
20 FISCAL YEARS BEGINNING ON AND AFTER OCTOBER
21 1, 2007.—In the case of each of the fiscal years be-
22 ginning on October 1, 2007, 2008, and 2009, each
23 person other than a 1988 agreement operator shall
24 pay to the Combined Fund the following percentage
25 of the amount of annual premiums that such person

1 would otherwise be required to pay under section
2 9704(a), determined on the basis of assignments in
3 effect without regard to the revocation of assign-
4 ments under paragraph (1)(A):

5 “(A) For the fiscal year beginning on Oc-
6 tober 1, 2007, 55 percent.

7 “(B) For the fiscal year beginning on Oc-
8 tober 1, 2008, 40 percent.

9 “(C) For the fiscal year beginning on Oc-
10 tober 1, 2009, 15 percent.”.

11 (4) EFFECTIVE DATE.—The amendments made
12 by this subsection shall apply to plan years of the
13 Combined Fund beginning after September 30,
14 2006.

15 (b) 1992 UMWA BENEFIT AND OTHER PLANS.—

16 (1) TRANSFERS TO PLANS.—Section 9712(a) of
17 the Internal Revenue Code of 1986 (relating to the
18 establishment and coverage of the 1992 UMWA
19 Benefit Plan) is amended by adding at the end the
20 following:

21 “(3) TRANSFERS UNDER OTHER FEDERAL
22 STATUTES.—

23 “(A) IN GENERAL.—The 1992 UMWA
24 Benefit Plan shall include any amount trans-
25 ferred to the plan under subsections (h) and (i)

1 of section 402 of the Surface Mining Control
2 and Reclamation Act of 1977 (30 U.S.C. 1232).

3 “(B) USE OF FUNDS.—Any amount trans-
4 ferred under subparagraph (A) for any fiscal
5 year shall be used to provide the health benefits
6 described in subsection (c) with respect to any
7 beneficiary for whom no monthly per bene-
8 ficiary premium is paid pursuant to paragraph
9 (1)(A) or (3) of subsection (d).

10 “(4) SPECIAL RULE FOR 1993 PLAN.—

11 “(A) IN GENERAL.—The plan described in
12 section 402(h)(2)(C) of the Surface Mining
13 Control and Reclamation Act of 1977 (30
14 U.S.C. 1232(h)(2)(C)) shall include any
15 amount transferred to the plan under sub-
16 sections (h) and (i) of the Surface Mining Con-
17 trol and Reclamation Act of 1977 (30 U.S.C.
18 1232).

19 “(B) USE OF FUNDS.—Any amount trans-
20 ferred under subparagraph (A) for any fiscal
21 year shall be used to provide the health benefits
22 described in section 402(h)(2)(C)(i) of the Sur-
23 face Mining Control and Reclamation Act of
24 1977 (30 U.S.C. 1232(h)(2)(C)(i)) to individ-

1 uals described in section 402(h)(2)(C) of such
2 Act (30 U.S.C. 1232(h)(2)(C)).”.

3 (2) PREMIUM ADJUSTMENTS.—

4 (A) IN GENERAL.—Section 9712(d)(1) of
5 such Code (relating to guarantee of benefits) is
6 amended to read as follows:

7 “(1) IN GENERAL.—All 1988 last signatory op-
8 erators shall be responsible for financing the benefits
9 described in subsection (c) by meeting the following
10 requirements in accordance with the contribution re-
11 quirements established in the 1992 UMWA Benefit
12 Plan:

13 “(A) The payment of a monthly per bene-
14 ficiary premium by each 1988 last signatory op-
15 erator for each eligible beneficiary of such oper-
16 ator who is described in subsection (b)(2) and
17 who is receiving benefits under the 1992
18 UMWA benefit plan.

19 “(B) The provision of a security (in the
20 form of a bond, letter of credit, or cash escrow)
21 in an amount equal to a portion of the pro-
22 jected future cost to the 1992 UMWA Benefit
23 Plan of providing health benefits for eligible
24 and potentially eligible beneficiaries attributable
25 to the 1988 last signatory operator.

1 “(C) If the amounts transferred under
2 subsection (a)(3) are less than the amounts re-
3 quired to be transferred to the 1992 UMWA
4 Benefit Plan under subsections (h) and (i) of
5 section 402 of the Surface Mining Control and
6 Reclamation Act of 1977 (30 U.S.C. 1232), the
7 payment of an additional backstop premium by
8 each 1988 last signatory operator which is
9 equal to such operator’s share of the amounts
10 required to be so transferred but which were
11 not so transferred, determined on the basis of
12 the number of eligible and potentially eligible
13 beneficiaries attributable to the operator.”.

14 (B) CONFORMING AMENDMENTS.—Section
15 9712(d) of such Code is amended—

16 (i) in paragraph (2)(B), by striking
17 “prefunding” and inserting “backstop”,
18 and

19 (ii) in paragraph (3), by striking
20 “paragraph (1)(B)” and inserting “para-
21 graph (1) (A)”.

22 (C) EFFECTIVE DATE.—The amendments
23 made by this paragraph shall apply to fiscal
24 years beginning on or after October 1, 2010.

1 **SEC. 323. OTHER PROVISIONS.**

2 (a) BOARD OF TRUSTEES.—Section 9702(b) of the
3 Internal Revenue Code of 1986 (relating to board of trust-
4 ees of the Combined Fund) is amended to read as follows:

5 “(b) BOARD OF TRUSTEES.—

6 “(1) IN GENERAL.—For purposes of subsection
7 (a), the board of trustees for the Combined Fund
8 shall be appointed as follows:

9 “(A) 2 individuals who represent employers
10 in the coal mining industry shall be designated
11 by the BCOA;

12 “(B) 2 individuals designated by the
13 United Mine Workers of America; and

14 “(C) 3 individuals selected by the individ-
15 uals appointed under subparagraphs (A) and
16 (B).

17 “(2) SUCCESSOR TRUSTEES.—Any successor
18 trustee shall be appointed in the same manner as
19 the trustee being succeeded. The plan establishing
20 the Combined Fund shall provide for the removal of
21 trustees.

22 “(3) SPECIAL RULE.—If the BCOA ceases to
23 exist, any trustee or successor under paragraph
24 (1)(A) shall be designated by the 3 employers who
25 were members of the BCOA on the enactment date

1 and who have been assigned the greatest number of
2 eligible beneficiaries under section 9706.”.

3 (b) ENFORCEMENT OF OBLIGATIONS.—

4 (1) FAILURE TO PAY PREMIUMS.—Section
5 9707(a) of the Internal Revenue Code of 1986 is
6 amended to read as follows:

7 “(a) FAILURES TO PAY.—

8 “(1) PREMIUMS FOR ELIGIBLE BENE-
9 FICIARIES.—There is hereby imposed a penalty on
10 the failure of any assigned operator to pay any pre-
11 mium required to be paid under section 9704 with
12 respect to any eligible beneficiary.

13 “(2) CONTRIBUTIONS REQUIRED UNDER THE
14 MINING LAWS.—There is hereby imposed a penalty
15 on the failure of any person to make a contribution
16 required under section 402(h)(5)(B)(ii) of the Sur-
17 face Mining Control and Reclamation Act of 1977 to
18 a plan referred to in section 402(h)(2)(C) of such
19 Act. For purposes of applying this section, each such
20 required monthly contribution for the hours worked
21 of any individual shall be treated as if it were a pre-
22 mium required to be paid under section 9704 with
23 respect to an eligible beneficiary.”.

24 (2) CIVIL ENFORCEMENT.—Section 9721 of
25 such Code is amended to read as follows:

1 **“SEC. 9721. CIVIL ENFORCEMENT.**

2 “The provisions of section 4301 of the Employee Re-
3 tirement Income Security Act of 1974 shall apply, in the
4 same manner as any claim arising out of an obligation
5 to pay withdrawal liability under subtitle E of title IV of
6 such Act, to any claim—

7 “(1) arising out of an obligation to pay any
8 amount required to be paid by this chapter; or

9 “(2) arising out of an obligation to pay any
10 amount required by section 402(h)(5)(B)(ii) of the
11 Surface Mining Control and Reclamation Act of
12 1977 (30 U.S.C. 1232(h)(5)(B)(ii)).”.

13 **TITLE IV—INCREASE IN**
14 **MINIMUM WAGE**

15 **SEC. 401. MINIMUM WAGE.**

16 Section 6(a)(1) of the Fair Labor Standards Act of
17 1938 (29 U.S.C. 206(a)(1)) is amended to read as follows:

18 “(1) except as otherwise provided in this sec-
19 tion, not less than—

20 “(A) \$5.15 an hour beginning September
21 1, 1997;

22 “(B) \$5.85 an hour, beginning on January
23 1, 2007;

24 “(C) \$6.55 an hour, beginning June 1,
25 2008; and

1 “(D) \$7.25 an hour, beginning June 1,
2 2009;”.

3 **SEC. 402. TIPPED WAGE FAIRNESS.**

4 Section 3(m) of the Fair Labor Standards Act of
5 1938 (29 U.S.C. 203(m)) is amended—

6 (1) by redesignating paragraphs (1) and (2) as
7 subparagraphs (A) and (B), respectively;

8 (2) by striking “‘Wage’ paid to any employee”
9 and inserting “(1) ‘Wage’ paid to any employee”;

10 (3) in subparagraph (B) (as so redesignated),
11 by inserting before the period the following: “: *Pro-*
12 *vided*, That the tips shall not be included as part of
13 the wage paid to an employee to the extent that they
14 are excluded therefrom under the terms of a bona
15 fide collective bargaining agreement applicable to the
16 particular employee”; and

17 (4) by adding at the end of the following:

18 “(2) Notwithstanding any other provision of this Act,
19 any State or political subdivision of a State which on or
20 after the date of enactment of the Estate Tax and Exten-
21 sion of Tax Relief Act of 2006 excludes all of a tipped
22 employee’s tips from being considered as wages in deter-
23 mining if such tipped employee has been paid the applica-
24 ble minimum wage rate, may not establish or enforce the
25 minimum wage rate provisions of such law, ordinance, reg-

1 ulation, or order in such State or political subdivision
2 thereof with respect to tipped employees unless such law,
3 ordinance, regulation, or order is revised or amended to
4 permit such employee to be paid a wage by the employee's
5 employer in an amount not less than an amount equal
6 to—

7 “(A) the cash wage paid such employee which
8 is required under such law, ordinance, regulation, or
9 order on the date of enactment of the Estate Tax
10 and Extension of Tax Relief Act of 2006; and

11 “(B) an additional amount on account of tips
12 received by such employee which amount is equal to
13 the difference between the cash wage described in
14 subparagraph (A) and the minimum wage rate in ef-
15 fect under such law, ordinance, regulation, or order,
16 or the minimum wage rate in effect under section
17 6(a), whichever is higher.”.

Passed the House of Representatives July 29 (legis-
lative day, July 28), 2006.

Attest:

Clerk.

109TH CONGRESS
2^D SESSION

H. R. 5970

AN ACT

To amend the Internal Revenue Code of 1986 to increase the unified credit against the estate tax to an exclusion equivalent of \$5,000,000, to repeal the sunset provision for the estate and generation-skipping taxes, and to extend expiring provisions, and for other purposes.