H.R. 11

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.

IN THE HOUSE OF REPRESENTATIVES

Mr. Thomas introduced the following bill; which was referred to the Committee on

A BILL

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.

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Be it enacted by the Senate and House of Representa-
2
tives of the United States of America in Congress assembled,
1 SECTION 1. SHORT TITLE, ETC.

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

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

(e) TABLE OF CONTENTS.—The table of contents for 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 secondary school teachers.
Sec. 209. Extension and expansion of expensing of brownfields remediation costs.
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 EXTENSION OF ESTATE TAX AFTER
2 2009
3 SEC. 101. REFORM AND EXTENSION OF ESTATE TAX AFTER
4 2009.
5 (a) RESTORATION OF UNIFIED CREDIT AGAINST
6 GIFT TAX.—Paragraph (1) of section 2505(a) (relating
7 to general rule for unified credit against gift tax), after
8 the application of subsection (g), is amended by striking
9 “(determined as if the applicable exclusion amount were
10 $1,000,000)”.
11 (b) EXCLUSION EQUIVALENT OF UNIFIED CREDIT
12 INCREASED TO $5,000,000.—Subsection (c) of section
13 2010 (relating to unified credit against estate tax) is
14 amended to read as follows:
“(c) Applicable Credit Amount.—

“(1) In general.—For purposes of this section, the applicable credit amount is the amount of the tentative tax which would be determined under the rate schedule set forth in section 2001(c) if the amount with respect to which such tentative tax is to be computed were the applicable exclusion amount.

“(2) Applicable exclusion amount.—

“(A) In general.—For purposes of this subsection, the applicable exclusion amount is as follows:

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

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

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

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

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

“(vi) For calendar year 2015 and thereafter, $5,000,000.
“(B) INFLATION ADJUSTMENT.—In the case of any decedent dying in a calendar year after 2015, the $5,000,000 amount in subparagraph (A)(vi) shall be increased by an amount equal to—

“(i) such dollar amount, multiplied by

“(ii) the cost-of-living adjustment determined under section 1(f)(3) for such calendar year by substituting ‘calendar year 2014’ for ‘calendar year 1992’ in subparagraph (B) thereof.

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

(e) RATE SCHEDULE.—

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

“(e) RATE SCHEDULE.—

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

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

“(B) the applicable percentage effective on the date of the decedent’s death of so much of the sum described in subsection (b)(1) as exceeds $25,000,000.

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

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

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

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

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

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

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

“(3) INFLATION ADJUSTMENT.—In the case of any decedent dying in a calendar year after 2015, each $25,000,000 amount in subparagraphs (A) and (B) of paragraph (1) shall be increased by an amount equal to—
“(A) such dollar amount, multiplied by

“(B) the cost-of-living adjustment determined under section 1(f)(3) for such calendar year by substituting ‘calendar year 2014’ for ‘calendar year 1992’ in subparagraph (B) thereof.

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

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

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

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

(1) ESTATE TAX.—

(A) IN GENERAL.—Section 2001(b)(2) (relating to computation of tax) is amended by
striking “if the provisions of subsection (c) (as in effect at the decedent’s death)” and inserting “if the modifications described in subsection (g)”.

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

“(g) MODIFICATIONS TO GIFT TAX PAYABLE TO REFLECT DIFFERENT TAX RATES.—For purposes of applying subsection (b)(2) with respect to 1 or more gifts, the rates of tax under subsection (c) in effect on the date of the decedent’s death shall, in lieu of the rates of tax in effect at the time of such gifts, be used both to compute—

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

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

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

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

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

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

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

(e) RePEAl Of DeDuCTION fOR State DeATH Taxes.—

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

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

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

(f) Effective Date.—The amendments made by this section shall apply to estates of decedents dying, generation-skipping transfers, and gifts made, after December 31, 2009.

(g) Additional Modifications to Estate Tax.—

(1) In general.—The following provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001, and the amendments made by such provisions, are hereby repealed:

(A) Subtitles A and E of title V.

(B) Subsection (d), and so much of subsection (f)(3) as relates to subsection (d), of section 511.

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

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

(2) Sunset not to apply.—Section 901 of the Economic Growth and Tax Relief Reconciliation Act of 2001 shall not apply to title V (other than subtitles F, G, and H thereof) of such Act.

(3) Repeal of deadwood.—
H.L.C.

(A) Sections 2011, 2057, and 2604 of the Internal Revenue Code of 1986 are hereby repealed.

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

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

(D) The table of sections for subchapter A of chapter 13 of such Code is amended by striking the item relating to section 2604.

SEC. 102. UNIFIED CREDIT INCREASED BY UNUSED UNIFIED CREDIT OF DECEASED SPOUSE.

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

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

“(A) the basic exclusion amount, and
“(B) in the case of a surviving spouse, the aggregate deceased spousal unused exclusion amount.

“(3) Basic exclusion amount.—

“(A) In general.—For purposes of this subsection, the basic exclusion amount is as follows:

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

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

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

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

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

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

“(B) Inflation adjustment.—In the case of any decedent dying in a calendar year after 2015, the $5,000,000 amount in subparagraph (A)(vi) shall be increased by an amount equal to—

“(i) such dollar amount, multiplied by
“(ii) the cost-of-living adjustment determined under section 1(f)(3) for such calendar year by substituting ‘calendar year 2014’ for ‘calendar year 1992’ in subparagraph (B) thereof.

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

“(4) **Aggregate deceased spousal unused exclusion amount.**—For purposes of this subsection, the term ‘aggregate deceased spousal unused exclusion amount’ means the lesser of—

“(A) the basic exclusion amount, or

“(B) the sum of the deceased spousal unused exclusion amounts of the surviving spouse.

“(5) **Deceased spousal unused exclusion amount.**—For purposes of this subsection, the term ‘deceased spousal unused exclusion amount’ means, with respect to the surviving spouse of any deceased spouse dying after December 31, 2009, the excess (if any) of—

“(A) the applicable exclusion amount of the deceased spouse, over
“(B) the amount with respect to which the tentative tax is determined under section 2001(b)(1) on the estate of such deceased spouse.

“(6) SPECIAL RULES.—

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

“(B) EXAMINATION OF PRIOR RETURNS AFTER EXPIRATION OF PERIOD OF LIMITATIONS WITH RESPECT TO DECEASED SPOUSAL UN- USED EXCLUSION AMOUNT.—Notwithstanding any period of limitation in section 6501, after the time has expired under section 6501 within which a tax may be assessed under chapter 11 or 12 with respect to a deceased spousal unused
exclusion amount, the Secretary may examine a return of the deceased spouse to make determinations with respect to such amount for purposes of carrying out this subsection.

“(7) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out this subsection.”.

(b) CONFORMING AMENDMENTS.—

(1) Paragraph (1) of section 2505(a), as amended by section 101, is amended to read as follows:

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

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

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

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to estates of decedents dying, generation-skipping transfers, and gifts made, after December 31, 2009.
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.

(a) In General.—Section 222(e) is amended by striking “2005” and inserting “2007”.

(b) Conforming Amendments.—Section 222(b)(2)(B) is amended—

(1) by striking “a taxable year beginning in 2004 or 2005” and inserting “any taxable year beginning after 2003”, and

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

(c) Effective Date.—The amendments made by this section shall apply to taxable years beginning after December 31, 2005.

SEC. 202. EXTENSION AND MODIFICATION OF NEW MARKETS TAX CREDIT.

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

(b) Regulations Regarding Non-Metropolitan Counties.—Section 45D(i) is amended by striking “and”
at the end of paragraph (4), by striking the period at the end of paragraph (5) and inserting “, and”, and by adding at the end the following new paragraph:

“(6) which ensure that non-metropolitan counties receive a proportional allocation of qualified equity investments.”.

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

SEC. 203. ELECTION TO DEDUCT STATE AND LOCAL GENERAL SALES TAXES.

(a) In General.—Section 164(b)(5)(I) is amended by striking “2006” and inserting “2008”.

(b) Effective Date.—The amendments made by this section shall apply to taxable years beginning after December 31, 2005.

SEC. 204. EXTENSION AND MODIFICATION OF RESEARCH CREDIT.

(a) Extension.—

(1) In General.—Section 41(h)(1)(B) is amended by striking “2005” and inserting “2007”.

(2) Conforming Amendment.—Section 45C(b)(1)(D) is amended by striking “2005” and inserting “2007”.

SEC. 203. ELECTION TO DEDUCT STATE AND LOCAL GENERAL SALES TAXES.

SEC. 204. EXTENSION AND MODIFICATION OF RESEARCH CREDIT.
(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to amounts paid or in-
curred after December 31, 2005.

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

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

    (A) by striking “2.65 percent” and inserting “3 percent”,

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

    (C) by striking “3.75 percent” and inserting “5 percent”.

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

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

    (1) IN GENERAL.—Subsection (c) of section 41

    (relating to base amount) is amended by redesig-

    nating paragraphs (5) and (6) as paragraphs (6)

    and (7), respectively, and by inserting after para-

    graph (4) the following new paragraph:
“(5) Election of Alternative Simplified Credit.—

“(A) In General.—At the election of the taxpayer, the credit determined under subsection (a)(1) shall be equal to 12 percent of so much of the qualified research expenses for the taxable year as exceeds 50 percent of the average qualified research expenses for the 3 taxable years preceding the taxable year for which the credit is being determined.

“(B) Special Rule in Case of No Qualified Research Expenses in Any of 3 Preceding Taxable Years.—

“(i) Taxpayers to which subparagraph applies.—The credit under this paragraph shall be determined under this subparagraph if the taxpayer has no qualified research expenses in any one of the 3 taxable years preceding the taxable year for which the credit is being determined.

“(ii) Credit Rate.—The credit determined under this subparagraph shall be equal to 6 percent of the qualified research expenses for the taxable year.
“(C) Election.—An election under this paragraph shall apply to the taxable year for which made and all succeeding taxable years unless revoked with the consent of the Secretary. An election under this paragraph may not be made for any taxable year to which an election under paragraph (4) applies.”.

(2) Coordination with election of alternative incremental credit.—

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

(B) Transition rule.—In the case of an election under section 41(c)(4) of the Internal Revenue Code of 1986 which applies to the taxable year which includes the date of the enactment of this Act, such election shall be treated as revoked with the consent of the Secretary of the Treasury if the taxpayer makes an election under section 41(c)(5) of such Code (as added by subsection (c)) for such year.
(3) **Effective Date.**—The amendments made by this subsection shall apply to amounts paid or incurred after December 31, 2006.

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

(a) **In General.**—Sections 51(c)(4)(B) and 51A(f) are each amended by striking “2005” and inserting “2007”.

(b) **Eligibility of Ex-Felons Determined Without Regard to Family Income.**—Paragraph (4) of section 51(d) is amended by adding “and” at the end of subparagraph (A), by striking “, and” at the end of subparagraph (B) and inserting a period, and by striking all that follows subparagraph (B).

(c) **Increase in Maximum Age for Eligibility of Food Stamp Recipients.**—Clause (i) of section 51(d)(8)(A) is amended by striking “25” and inserting “40”.

(d) **Extension of Paperwork Filing Deadline.**—Section 51(d)(12)(A)(ii)(II) is amended by striking “21st day” and inserting “28th day”.

(e) **Consolidation of Work Opportunity Credit With Welfare-to-Work Credit.**—

(1) **In General.**—Paragraph (1) of section 51(d) is amended by striking “or” at the end of sub-
paragraph (G), by striking the period at the end of
subparagraph (H) and inserting ‘‘, or’’, and by add-
ing at the end the following new subparagraph:

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

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

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

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

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

“(ii) as having a hiring date which is not
more than 2 years after the end of the earliest
such 18-month period, or
“(C)(i) as being a member of a family which ceased to be eligible for such assistance by reason of any limitation imposed by Federal or State law on the maximum period such assistance is payable to a family, and

“(ii) as having a hiring date which is not more than 2 years after the date of such cessation.”.

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

“(e) CREDIT FOR SECOND-YEAR WAGES FOR EMPLOYMENT OF LONG-TERM FAMILY ASSISTANCE RECIPIENTS.—

“(1) IN GENERAL.—With respect to the employment of a long-term family assistance recipient—

“(A) the amount of the work opportunity credit determined under this section for the taxable year shall include 50 percent of the qualified second-year wages for such year, and

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

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

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

“(B) which are attributable to service rendered during the 1-year period beginning on the day after the last day of the 1-year period with respect to such recipient determined under subsection (b)(2).

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

“(A) such subparagraph (A) shall be applied by substituting ‘$10,000’ for ‘$6,000’, and

“(B) such subparagraph (B) shall be applied by substituting ‘$833.33’ for ‘$500’.”.

(4) REPEAL OF SEPARATE WELFARE-TO-WORK CREDIT.—
(A) IN GENERAL.—Section 51A is hereby repealed.

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

(f) EFFECTIVE DATES.—

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

(2) CONSOLIDATION.—The amendments made by subsections (b), (c), (d), and (e) shall apply to individuals who begin work for the employer after December 31, 2006.

SEC. 206. ELECTION TO INCLUDE COMBAT PAY AS EARNED INCOME FOR PURPOSES OF EARNED INCOME CREDIT.

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

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2006.
SEC. 207. EXTENSION AND MODIFICATION OF QUALIFIED ZONE ACADEMY BONDS.

(a) In General.—Paragraph (1) of section 1397E(e) is amended by striking “and 2005” and inserting “2005, 2006, and 2007”.

(b) Special Rules Relating to Expenditures, Arbitrage, and Reporting.—

(1) In General.—Section 1397E is amended—

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

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

(B) by redesignating subsections (f), (g), (h), and (i) as subsection (i), (j), (k), and (l), respectively, and by inserting after subsection (e) the following new subsections:

“(f) Special Rules Relating to Expenditures.—

“(1) In General.—An issue shall be treated as meeting the requirements of this subsection if, as of the date of issuance, the issuer reasonably expects—
“(A) at least 95 percent of the proceeds from the sale of the issue are to be spent for 1 or more qualified purposes with respect to qualified zone academies within the 5-year period beginning on the date of issuance of the qualified zone academy bond,

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

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

“(2) Extension of Period.—Upon submission of a request prior to the expiration of the period described in paragraph (1)(A), the Secretary may extend such period if the issuer establishes that the failure to satisfy the 5-year requirement is due to reasonable cause and the related purposes will continue to proceed with due diligence.

“(3) Failure to Spend Required Amount of Bond Proceeds Within 5 Years.—To the extent that less than 95 percent of the proceeds of
such issue are expended by the close of the 5-year period beginning on the date of issuance (or if an extension has been obtained under paragraph (2), by the close of the extended period), the issuer shall re-
deem all of the nonqualified bonds within 90 days after the end of such period. For purposes of this paragraph, the amount of the nonqualified bonds re-
quired to be redeemed shall be determined in the same manner as under section 142.

“(g) Special Rules Relating to Arbitrage.—
An issue shall be treated as meeting the requirements of this subsection if the issuer satisfies the arbitrage require-
ments of section 148 with respect to proceeds of the issue.

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

(2) Conforming Amendments.—Sections 54(l)(3)(B) and 1400N(l)(7)(B)(ii) are each amend-
ed by striking “section 1397E(i)” and inserting “section 1397E(l)”.

(c) Effective Dates.—

(1) Extension.—The amendment made by subsection (a) shall apply to obligations issued after December 31, 2005.
(2) SPECIAL RULES.—The amendments made by subsection (b) shall apply to obligations issued after the date of the enactment of this Act pursuant to allocations of the national zone academy bond limitation for calendar years after 2005.

SEC. 208. ABOVE-THE-LINE DEDUCTION FOR CERTAIN EXPENSES OF ELEMENTARY AND SECONDARY SCHOOL TEACHERS.

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

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

SEC. 209. EXTENSION AND EXPANSION OF EXPENSING OF BROWNFIELDS REMEDIATION COSTS.

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

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

“(C) any petroleum product (as defined in section 4612(a)(3)).”.
(c) **Effective Date.**—The amendments made by this section shall apply to expenditures paid or incurred after December 31, 2005.

SEC. 210. TAX INCENTIVES FOR INVESTMENT IN THE DISTRICT OF COLUMBIA.

(a) **Designation of Zone.**—

(1) **In General.**—Subsection (f) of section 1400 is amended by striking “2005” both places it appears and inserting “2007”.

(2) **Effective Date.**—The amendments made by this subsection shall apply to periods beginning after December 31, 2005.

(b) **Tax-Exempt Economic Development Bonds.**—

(1) **In General.**—Subsection (b) of section 1400A is amended by striking “2005” and inserting “2007”.

(2) **Effective Date.**—The amendment made by this subsection shall apply to bonds issued after December 31, 2005.

(c) **Zero Percent Capital Gains Rate.**—

(1) **In General.**—Subsection (b) of section 1400B is amended by striking “2006” each place it appears and inserting “2008”.

(2) **Conforming Amendments.**—
(A) Section 1400B(e)(2) is amended—

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

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

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

(C) Section 1400F(d) is amended by striking “2010” and inserting “2012”.

(3) EFFECTIVE DATES.—

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

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

(d) FIRST-TIME HOMEBUYER CREDIT.—

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

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to property purchased after December 31, 2005.
SEC. 211. INDIAN EMPLOYMENT TAX CREDIT.

(a) In General.—Section 45A(f) is amended by striking “2005” and inserting “2007”.

(b) Effective Date.—The amendment made by this section shall apply to taxable years beginning after December 31, 2005.

SEC. 212. ACCELERATED DEPRECIATION FOR BUSINESS PROPERTY ON INDIAN RESERVATIONS.

(a) In General.—Section 168(j)(8) is amended by striking “2005” and inserting “2007”.

(b) Effective Date.—The amendment made by this section shall apply to property placed in service after December 31, 2005.

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

(a) In General.—Clauses (iv) and (v) of section 168(e)(3)(E) are each amended by striking “2006” and inserting “2008”.

(b) Treatment of Restaurant Property to Include New Construction.—Paragraph (7) of section 168(e) (relating to classification of property) is amended to read as follows:

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

(c) EFFECTIVE DATES.—

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

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

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

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

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

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

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

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

(c) Amendment to the Public Health Service Act.—Section 2705(f) of the Public Health Service Act (42 U.S.C. 300gg–5(f)) is amended by striking “2006” and inserting “2007”.

SEC. 216. CORPORATE DONATIONS OF SCIENTIFIC PROPERTY USED FOR RESEARCH AND OF COMPUTER TECHNOLOGY AND EQUIPMENT.

(a) Extension of Computer Technology and Equipment Donation.—

(1) In general.—Section 170(e)(6)(G) is amended by striking “2005” and inserting “2007”.

(2) Effective date.—The amendment made by paragraph (1) shall apply to contributions made in taxable years beginning after December 31, 2005.

(b) Expansion of Charitable Contribution Allowed for Scientific Property Used for Research and for Computer Technology and Equipment Used for Educational Purposes.—

(1) Scientific property used for research.—

(A) In general.—Clause (ii) of section 170(e)(4)(B) (defining qualified research con-
tributions) is amended by inserting “or assembled” after “constructed”.

(B) CONFORMING AMENDMENT.—Clause (iii) of section 170(e)(4)(B) is amended by inserting “or assembly” after “construction”.

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

(A) IN GENERAL.—Clause (ii) of section 170(e)(6)(B) is amended by inserting “or assembled” after “constructed” and “or assembling” after “construction”.

(B) CONFORMING AMENDMENT.—Subparagraph (D) of section 170(e)(6) is amended by inserting “or assembled” after “constructed” and “or assembly” after “construction”.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years beginning after December 31, 2005.

SEC. 217. AVAILABILITY OF MEDICAL SAVINGS ACCOUNTS.

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

(b) CONFORMING AMENDMENTS.—
(1) Paragraph (2) of section 220(j) is amended—

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

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

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

(c) TIME FOR FILING REPORTS, ETC.—

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

(2) The determination and publication required by section 220(j)(5) of such Code with respect to calendar year 2005 shall be treated as timely if made before the close of the 120-day period beginning on the date of the enactment of this Act. If the determination under the preceding sentence is that 2005 is a cut-off year under section 220(i) of such Code, the cut-off date under such section 220(i) shall be the last day of such 120-day period.
SEC. 218. TAXABLE INCOME LIMIT ON PERCENTAGE DEPLETION FOR OIL AND NATURAL GAS PRODUCED FROM MARGINAL PROPERTIES.

(a) IN GENERAL.—Section 613A(c)(6)(H) is amended by striking “2006” and inserting “2008”.

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

SEC. 219. AMERICAN SAMOA ECONOMIC DEVELOPMENT CREDIT.

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

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

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

(b) SPECIAL RULES FOR APPLICATION OF SECTION.—The following rules shall apply in applying section 30A of the Internal Revenue Code of 1986 for purposes of this section:

(1) AMOUNT OF CREDIT.—Notwithstanding section 30A(a)(1) of such Code, the amount of the credit determined under section 30A(a)(1) of such
Code for any taxable year shall be the amount determined under section 30A(d) of such Code, except that section 30A(d) shall be applied without regard to paragraph (3) thereof.

(2) SEPARATE APPLICATION.—In applying section 30A(a)(3) of such Code in the case of a corporation treated as a qualified domestic corporation by reason of this section, section 30A of such Code (and so much of section 936 of such Code as relates to such section 30A) shall be applied separately with respect to American Samoa.

(3) FOREIGN TAX CREDIT ALLOWED.—Notwithstanding section 30A(e) of such Code, the provisions of section 936(e) of such Code shall not apply with respect to the credit allowed by reason of this section.

(c) DEFINITIONS.—For purposes of this section, any term which is used in this section which is also used in section 30A or 936 of such Code shall have the same meaning given such term by such section 30A or 936.

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

SEC. 220. RESTRUCTURING OF NEW YORK LIBERTY ZONE TAX CREDITS.

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

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

“(a) In General.—In the case of a New York Liberty Zone governmental unit, there shall be allowed as a credit against any taxes imposed for any payroll period by section 3402 for which such governmental unit is liable under section 3403 an amount equal to so much of the portion of the qualifying project expenditure amount allocated under subsection (b)(3) to such governmental unit for the calendar year as is allocated by such governmental unit to such period under subsection (b)(4).

“(b) Qualifying Project Expenditure Amount.—For purposes of this section—

“(1) In General.—The term ‘qualifying project expenditure amount’ means, with respect to any calendar year, the sum of—

“(A) the total expenditures paid or incurred during such calendar year by all New York Liberty Zone governmental units and the
Port Authority of New York and New Jersey
for any portion of qualifying projects located
wholly within the City of New York, New York,
and
“(B) any such expenditures—

“(i) paid or incurred in any preceding
calendar year which begins after the date
of enactment of this section, and
“(ii) not previously allocated under
paragraph (3).

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

“(3) GENERAL ALLOCATION.—

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

“(B) Aggregate limit.—The aggregate
amount which may be allocated under subpara-
graph (A) for all calendar years in the credit
period shall not exceed $1,750,000,000.

“(C) Annual limit.—

“(i) In general.—The aggregate
amount which may be allocated under sub-
paragraph (A) for any calendar year in the
credit period shall not exceed the sum of—

“(I) the applicable limit, plus

“(II) the aggregate amount au-

thorized to be allocated under this
paragraph for all preceding calendar
years in the credit period which was
not so allocated.

“(ii) Applicable limit.—For pur-
poses of clause (i), the applicable limit for
any calendar year is—

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

“(II) in the case of calendar year
2017 or 2018, $200,000,000,
“(III) in the case of calendar year 2019, $150,000,000,

“(IV) in the case of calendar year 2020 or 2021, $100,000,000,

and

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

“(D) UNALLOCATED AMOUNTS AT END OF CREDIT PERIOD.—If, as of the close of the credit period, the amount under subparagraph (B) exceeds the aggregate amount allocated under subparagraph (A) for all calendar years in the credit period, the Governor of the State of New York and the Mayor of the City of New York, New York, may jointly allocate to New York Liberty Zone governmental units for any calendar year in the 5-year period following the credit period an amount equal to—

“(i) the lesser of—

“(I) such excess, or

“(II) the qualifying project expenditure amount for such calendar year, reduced by
“(ii) the aggregate amount allocated under this subparagraph for all preceding calendar years.

“(4) Allocation to payroll periods.—
Each New York Liberty Zone governmental unit which has been allocated a portion of the qualifying project expenditure amount under paragraph (3) for a calendar year may allocate such portion to payroll periods beginning in such calendar year as such governmental unit determines appropriate.

“(c) Carryover of unused allocations.—

“(1) In general.—Except as provided in paragraph (2), if the amount allocated under subsection (b)(3) to a New York Liberty Zone governmental unit for any calendar year exceeds the aggregate taxes imposed by section 3402 for which such governmental unit is liable under section 3403 for periods beginning in such year, such excess shall be carried to the succeeding calendar year and added to the allocation of such governmental unit for such succeeding calendar year. No amount may be carried under the preceding sentence to a calendar year after 2026.

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

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

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

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

“(A) the State of New York,

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

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

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

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

“(e) REPORTING.—The Governor of the State of New
York and the Mayor of the City of New York, New York,
shall jointly submit to the Secretary an annual report—
“(1) which certifies—
“(A) the qualifying project expenditure
amount for the calendar year, and
“(B) the amount allocated to each New
York Liberty Zone governmental unit under
subsection (b)(3) for the calendar year, and
“(2) includes such other information as the
Secretary may require to carry out this section.

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

“(g) TERMINATION.—No credit shall be allowed
under subsection (a) for any calendar year after 2026.”.
(b) Termination of Certain New York Liberty Zone Benefits.—

(1) Special Allowance and Expensing.—
Section 1400K(b)(2)(A)(v), as redesignated by subsection (a), is amended by striking “the termination date” and inserting “the date of the enactment of the Estate Tax and Extension of Tax Relief Act of 2006 or the termination date if pursuant to a binding contract in effect on such enactment date”.

(2) Leasehold.—Section 1400K(c)(2)(B), as so redesignated, is amended by striking “before January 1, 2007” and inserting “on or before the date of the enactment of the Estate Tax and Extension of Tax Relief Act of 2006 or before January 1, 2007, if pursuant to a binding contract in effect on such enactment date”.

(c) Conforming Amendments.—

(1) Section 38(c)(3)(B) is amended by striking “section 1400L(a)” and inserting “section 1400K(a)”.

(2) Section 168(k)(2)(D)(ii) is amended by striking “section 1400L(c)(2)” and inserting “1400K(c)(2)”. 
(3) The table of sections for part I of sub-
chapter Y of chapter 1 is amended by striking
“1400L” and inserting “1400K”.

(d) Effective Date.—

(1) In general.—Except as provided in para-
graph (2), the amendments made by this section
shall apply to periods beginning after December 31,
2006.

(2) Subsection (b).—The amendments made
by subsection (b) shall take effect as if included in
section 301 of the Job Creation and Worker Assist-

SEC. 221. EXTENSION OF BONUS DEPRECIATION FOR CER-
TAIN QUALIFIED GULF OPPORTUNITY ZONE
PROPERTY.

(a) In general.—Subsection (d) of section 1400N
is amended by adding at the end the following new para-
graph:

“(6) Extension for certain property.—

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

“(B) Specified Gulf opportunity zone
extension property.—For purposes of this
paragraph, the term ‘specified Gulf Opportunity Zone extension property’ means property—

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

“(ii) which is—

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

“(II) in the case of a taxpayer who places a building described in subclause (I) in service on or before December 31, 2009, property described in section 168(k)(2)(A)(i) if substantially all of the use of such property is in such building and such property is placed in service by the taxpayer not later than 90 days after such building is placed in service.

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

(b) EXTENSION NOT APPLICABLE TO INCREASED

SECTION 179 EXPENSING.—Paragraph (2) of section
1400N(e) is amended by inserting “without regard to sub-
section (d)(6)” after “subsection (d)(2)”.

(c) EFFECTIVE DATE.—The amendments made by
this section shall take effect as if included in section 101

SEC. 222. AUTHORITY FOR UNDERCOVER OPERATIONS.

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

SEC. 223. DISCLOSURES OF CERTAIN TAX RETURN INFOR-
MATION.

(a) DISCLOSURES TO FACILITATE COMBINED EMP-
LOYMENT TAX REPORTING.—

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

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

(b) DISCLOSURES RELATING TO TERRORIST ACTIVITIES.—

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

   (2) EFFECTIVE DATE.—The amendments made by paragraph (1) shall apply to disclosures after December 31, 2006.

(c) DISCLOSURES RELATING TO STUDENT LOANS.—

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

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

Subtitle B—Other Provisions

SEC. 231. DEDUCTION ALLOWABLE WITH RESPECT TO INCOME ATTRIBUTABLE TO DOMESTIC PRODUCTION ACTIVITIES IN PUERTO RICO.

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

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

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

“(B) SPECIAL RULE FOR APPLYING WAGE LIMITATION.—In the case of any taxpayer described in subparagraph (A), for purposes of applying the limitation under subsection (b) for any taxable year, the determination of W–2 wages of such taxpayer shall be made without regard to any exclusion under section 3401(a)(8) for remuneration paid for services performed in Puerto Rico.

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

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

SEC. 232. CREDIT FOR PRIOR YEAR MINIMUM TAX LIABILITY
MADE REFUNDABLE AFTER PERIOD OF YEARS.

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

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

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

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

“(A) IN GENERAL.—The term ‘AMT re-
refundable credit amount’ means, with respect to
any taxable year, the amount equal to the
greater of—
“(i) the lesser of—

“(I) $5,000, or

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

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

“(B) Phaseout of AMT refundable credit amount.—

“(i) In general.—In the case of an individual whose adjusted gross income for any taxable year exceeds the threshold amount (within the meaning of section 151(d)(3)(C)), the AMT refundable credit amount determined under subparagraph (A) for such taxable year shall be reduced by the applicable percentage (within the meaning of section 151(d)(3)(B)).

“(ii) Adjusted gross income.—For purposes of clause (i), adjusted gross income shall be determined without regard to sections 911, 931, and 933.

“(3) Long-term unused minimum tax credit.
“(A) IN GENERAL.—For purposes of this subsection, the term ‘long-term unused minimum tax credit’ means, with respect to any taxable year, the portion of the minimum tax credit determined under subsection (b) attributable to the adjusted net minimum tax for taxable years before the 3rd taxable year immediately preceding such taxable year.

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

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

(b) CONFORMING AMENDMENTS.—

(1) Section 6211(b)(4)(A) is amended by striking “and 34” and inserting “34, and 53(e)”.

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

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after the date of the enactment of this Act.
SEC. 233. RETURNS REQUIRED IN CONNECTION WITH CERTAIN OPTIONS.

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

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

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

“(b) STATEMENTS TO BE FURNISHED TO PERSONS WITH RESPECT TO WHOM INFORMATION IS REPORTED.—Every corporation making a return under subsection (a) shall furnish to each person whose name is set forth in such return a written statement setting forth such information as the Secretary may by regulations prescribe. The written statement required under the preceding sentence shall be furnished to such person on or before January 31 of the year following the calendar year for which the return under subsection (a) was made.”.

(c) CONFORMING AMENDMENTS.—

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

“(xix) section 6039(a) (relating to returns required with respect to certain options), and”.

(2) Section 6724(d)(2)(B) is amended by striking “section 6039(a)” and inserting “section 6039(b)”.

(3) The heading of section 6039 and the item relating to such section in the table of sections of subpart A of part III of subchapter A of chapter 61 of such Code are each amended by striking “Information” and inserting “Returns”.

(4) The heading of subsection (a) of section 6039 is amended by striking “FURNISHING OF INFORMATION” and inserting “REQUIREMENT OF REPORTING”.

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

SEC. 234. PARTIAL EXPENSING FOR ADVANCED MINE SAFETY EQUIPMENT.

(a) In General.—Part VI of subchapter B of chapter 1 is amended by inserting after section 179D the following new section:
“SEC. 179E. ELECTION TO EXPENSE ADVANCED MINE SAFETY EQUIPMENT.

“(a) Treatment as Expenses.—A taxpayer may elect to treat 50 percent of the cost of any qualified advanced mine safety equipment property as an expense which is not chargeable to capital account. Any cost so treated shall be allowed as a deduction for the taxable year in which the qualified advanced mine safety equipment property is placed in service.

“(b) Election.—

“(1) In general.—An election under this section for any taxable year shall be made on the taxpayer’s return of the tax imposed by this chapter for the taxable year. Such election shall specify the advanced mine safety equipment property to which the election applies and shall be made in such manner as the Secretary may by regulations prescribe.

“(2) Election irrevocable.—Any election made under this section may not be revoked except with the consent of the Secretary.

“(c) Qualified Advanced Mine Safety Equipment Property.—For purposes of this section, the term ‘qualified advanced mine safety equipment property’ means any advanced mine safety equipment property for use in any underground mine located in the United States—
“(1) the original use of which commences with

the taxpayer, and

“(2) which is placed in service by the taxpayer

after the date of the enactment of this section.

“(d) ADVANCED MINE SAFETY EQUIPMENT PRO-

PERTY.—For purposes of this section, the term ‘advanced

mine safety equipment property’ means any of the fol-

lowing:

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

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

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

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

“(5) Comprehensive atmospheric monitoring system which monitors the levels of carbon monoxide, methane, and oxygen that are present in all areas of the mine and which can detect smoke in the case of a fire in a mine.

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

“(f) REPORTING.—No deduction shall be allowed under subsection (a) to any taxpayer for any taxable year unless such taxpayer files with the Secretary a report containing such information with respect to the operation of the mines of the taxpayer as the Secretary shall require.

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

(b) CONFORMING AMENDMENTS.—

(1) Section 263(a)(1) is amended by striking “or” at the end of subparagraph (J), by striking the period at the end of subparagraph (K) and inserting “, or”, and by inserting after subparagraph (K) the following new subparagraph:
“(L) expenditures for which a deduction is allowed under section 179E.”.

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

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

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

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

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

SEC. 235. MINE RESCUE TEAM TRAINING TAX CREDIT.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 (relating to business related credits) is amended by adding at the end the following new section:

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

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

is an amount equal to the lesser of—

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

“(2) $10,000.

“(b) QUALIFIED MINE RESCUE TEAM EMPLOYEE.—
For purposes of this section, the term ‘qualified mine res-
cue team employee’ means with respect to any taxable year
any full-time employee of the taxpayer who is—

“(1) a miner eligible for more than 6 months
of such taxable year to serve as a mine rescue team
member as a result of completing, at a minimum, an
initial 20-hour course of instruction as prescribed by
the Mine Safety and Health Administration’s Office
of Educational Policy and Development, or

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

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

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

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

(b) CREDIT MADE PART OF GENERAL BUSINESS CREDIT.—Section 38(b) is amended by striking “and” at the end of paragraph (29), by striking the period at the end of paragraph (30) and inserting “, plus”, and by adding at the end the following new paragraph:

“(31) the mine rescue team training credit determined under section 45N(a).”.

(e) NO DOUBLE BENEFIT.—Section 280C is amended by adding at the end the following new subsection:

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

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

“Sec. 45N. Mine rescue team training credit.”.
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(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2005.

SEC. 236. WHISTLEBLOWER REFORMS.

(a) AWARDS TO WHISTLEBLOWERS.—

(1) IN GENERAL.—Section 7623 (relating to expenses of detection of underpayments and fraud, etc.) is amended—

(A) by striking “The Secretary” and inserting “(a) IN GENERAL.—The Secretary”,

(B) by striking “and” at the end of paragraph (1) and inserting “or”,

(C) by striking “(other than interest)”,

and

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

“(b) AWARDS TO WHISTLEBLOWERS.—

“(1) IN GENERAL.—If the Secretary proceeds with any administrative or judicial action described in subsection (a) based on information brought to the Secretary’s attention by an individual, such individual shall, subject to paragraph (2), receive as an award at least 15 percent but not more than 30 percent of the collected proceeds (including penalties, interest, additions to tax, and additional amounts)
resulting from the action (including any related actions) or from any settlement in response to such action. The determination of the amount of such award by the Whistleblower Office shall depend upon the extent to which the individual substantially contributed to such action.

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

“(A) IN GENERAL.—In the event the action described in paragraph (1) is one which the Whistleblower Office determines to be based principally on disclosures of specific allegations (other than information provided by the individual described in paragraph (1)) resulting from a judicial or administrative hearing, from a governmental report, hearing, audit, or investigation, or from the news media, the Whistleblower Office may award such sums as it considers appropriate, but in no case more than 10 percent of the collected proceeds (including penalties, interest, additions to tax, and additional amounts) resulting from the action (including any related actions) or from any settlement in response to such action, taking into account the significance of the individual’s information and...
the role of such individual and any legal representative of such individual in contributing to such action.

“(B) Nonapplication of Paragraph Where Individual is Original Source of Information.—Subparagraph (A) shall not apply if the information resulting in the initiation of the action described in paragraph (1) was originally provided by the individual described in paragraph (1).

“(3) Reduction in or Denial of Award.—If the Whistleblower Office determines that the claim for an award under paragraph (1) or (2) is brought by an individual who planned and initiated the actions that led to the underpayment of tax or actions described in subsection (a)(2), then the Whistleblower Office may appropriately reduce such award. If such individual is convicted of criminal conduct arising from the role described in the preceding sentence, the Whistleblower Office shall deny any award.

“(4) Appeal of Award Determination.—Any determination regarding an award under paragraph (1), (2), or (3) may, within 30 days of such determination, be appealed to the Tax Court (and
the Tax Court shall have jurisdiction with respect to such matter).

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

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

“(B) if the tax, penalties, interest, additions to tax, and additional amounts in dispute exceed $2,000,000.

“(6) ADDITIONAL RULES.—

“(A) NO CONTRACT NECESSARY.—No contract with the Internal Revenue Service is necessary for any individual to receive an award under this subsection.

“(B) REPRESENTATION.—Any individual described in paragraph (1) or (2) may be represented by counsel.

“(C) SUBMISSION OF INFORMATION.—No award may be made under this subsection based on information submitted to the Secretary unless such information is submitted under penalty of perjury.”.

(2) ASSIGNMENT TO SPECIAL TRIAL JUDGES.—
(A) IN GENERAL.—Section 7443A(b) (relating to proceedings which may be assigned to special trial judges) is amended by striking “and” at the end of paragraph (4), by redesignating paragraph (5) as paragraph (6), and by inserting after paragraph (4) the following new paragraph:

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

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

(3) DEDUCTION ALLOWED WHETHER OR NOT TAXPAYER ITEMIZES.—Subsection (a) of section 62 (relating to general rule defining adjusted gross income) is amended by inserting after paragraph (20) the following new paragraph:

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

(b) Whistleblower Office.—

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

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

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

(C) in its sole discretion, may ask for addi-
tional assistance from such individual or any
legal representative of such individual.
(2) Request for Assistance.—The guidance issued under paragraph (1) shall specify that any assistance requested under paragraph (1)(C) shall be under the direction and control of the Whistleblower Office or the office assigned to investigate the matter under paragraph (1)(A). No individual or legal representative whose assistance is so requested may by reason of such request represent himself or herself as an employee of the Federal Government.

c) Report by Secretary.—The Secretary of the Treasury shall each year conduct a study and report to Congress on the use of section 7623 of the Internal Revenue Code of 1986, including—

(1) an analysis of the use of such section during the preceding year and the results of such use,

and

(2) any legislative or administrative recommendations regarding the provisions of such section and its application.

d) Effective Date.—The amendments made by subsection (a) shall apply to information provided on or after the date of the enactment of this Act.

SEC. 237. FRIVOLOUS TAX SUBMISSIONS.

(a) Civil Penalties.—Section 6702 is amended to read as follows:
“SEC. 6702. FRIVOLOUS TAX SUBMISSIONS.

“(a) Civil Penalty for Frivolous Tax Returns.—A person shall pay a penalty of $5,000 if—

“(1) such person files what purports to be a return of a tax imposed by this title but which—

“(A) does not contain information on which the substantial correctness of the self-assessment may be judged, or

“(B) contains information that on its face indicates that the self-assessment is substantially incorrect, and

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

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

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

“(b) Civil Penalty for Specified Frivolous Submissions.—

“(1) Imposition of Penalty.—Except as provided in paragraph (3), any person who submits a specified frivolous submission shall pay a penalty of $5,000.

“(2) Specified Frivolous Submission.—For purposes of this section—
“(A) SPECIFIED FRIVOLOUS SUBMISSION.—The term ‘specified frivolous submission’ means a specified submission if any portion of such submission—

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

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

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

“(i) a request for a hearing under—

“(I) section 6320 (relating to notice and opportunity for hearing upon filing of notice of lien), or

“(II) section 6330 (relating to notice and opportunity for hearing before levy), and

“(ii) an application under—

“(I) section 6159 (relating to agreements for payment of tax liability in installments),

“(II) section 7122 (relating to compromises), or
“(III) section 7811 (relating to taxpayer assistance orders).

“(3) OPPORTUNITY TO WITHDRAW SUBMISSION.—If the Secretary provides a person with notice that a submission is a specified frivolous submission and such person withdraws such submission within 30 days after such notice, the penalty imposed under paragraph (1) shall not apply with respect to such submission.

“(c) LISTING OF FRIVOLOUS POSITIONS.—The Secretary shall prescribe (and periodically revise) a list of positions which the Secretary has identified as being frivolous for purposes of this subsection. The Secretary shall not include in such list any position that the Secretary determines meets the requirement of section 6662(d)(2)(B)(ii)(II).

“(d) REDUCTION OF PENALTY.—The Secretary may reduce the amount of any penalty imposed under this section if the Secretary determines that such reduction would promote compliance with and administration of the Federal tax laws.

“(e) PENALTIES IN ADDITION TO OTHER PENALTIES.—The penalties imposed by this section shall be in addition to any other penalty provided by law.”.
(b) Treatment of Frivolous Requests for Hearings Before Levy.—

(1) Frivolous requests disregarded.—

Section 6330 (relating to notice and opportunity for hearing before levy) is amended by adding at the end the following new subsection:

“(g) Frivolous Requests for Hearing, Etc.—Notwithstanding any other provision of this section, if the Secretary determines that any portion of a request for a hearing under this section or section 6320 meets the requirement of clause (i) or (ii) of section 6702(b)(2)(A), then the Secretary may treat such portion as if it were never submitted and such portion shall not be subject to any further administrative or judicial review.”.

(2) Preclusion from raising frivolous issues at hearing.—Section 6330(e)(4) is amended—

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

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

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

(D) by inserting after subparagraph (A)(ii) (as so redesignated) the following:
“(B) the issue meets the requirement of clause (i) or (ii) of section 6702(b)(2)(A).”.

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

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

(1) in subsection (b)(1), by striking “under subsection (a)(3)(B)” and inserting “in writing under subsection (a)(3)(B) and states the grounds for the requested hearing”, and

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

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

“(f) FRIVOLOUS SUBMISSIONS, ETC.—Notwithstanding any other provision of this section, if the Secretary determines that any portion of an application for an offer-in-compromise or installment agreement submitted under this section or section 6159 meets the re-
requirement of clause (i) or (ii) of section 6702(b)(2)(A), then the Secretary may treat such portion as if it were never submitted and such portion shall not be subject to any further administrative or judicial review.”.

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

“Sec. 6702. Frivolous tax submissions.”.

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to submissions made and issues raised after the date on which the Secretary first prescribes a list under section 6702(c) of the Internal Revenue Code of 1986, as amended by subsection (a).

SEC. 238. ADDITION OF MENINGOCOCCAL AND HUMAN PAPILLOMAVIRUS VACCINES TO LIST OF TAXABLE VACCINES.

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

“(O) Any meningococcal vaccine.”.

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

“(P) Any vaccine against the human papillomavirus.”.
(c) **Effective Date.**—

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

(2) **Deliveries.**—For purposes of paragraph (1) and section 4131 of the Internal Revenue Code of 1986, in the case of sales on or before the effective date described in such paragraph for which delivery is made after such date, the delivery date shall be considered the sale date.

**SEC. 239. Clarification of Taxation of Certain Settlement Funds Made Permanent.**

(a) **In General.**—Subsection (g) of section 468B, as amended by section 201 of the Tax Increase Prevention and Reconciliation Act of 2005, is amended by striking paragraph (3).

(b) **Effective Date.**—The amendment made by this section shall take effect as if included in section 201 of the Tax Increase Prevention and Reconciliation Act of 2005.
SEC. 240. MODIFICATION OF ACTIVE BUSINESS DEFINITION UNDER SECTION 355 MADE PERMANENT.

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

(b) Effective Date.—The amendments made by this section shall take effect as if included in section 202 of the Tax Increase Prevention and Reconciliation Act of 2005.

SEC. 241. REVISION OF STATE VETERANS LIMIT MADE PERMANENT.

(a) In General.—Subparagraph (B) of section 143(l)(3), as amended by section 203 of the Tax Increase Prevention and Reconciliation Act of 2005, is amended by striking clause (iv).

(b) Effective Date.—The amendment made by this section shall take effect as if included in section 203 of the Tax Increase Prevention and Reconciliation Act of 2005.

SEC. 242. CAPITAL GAINS TREATMENT FOR CERTAIN SELF-CREATED MUSICAL WORKS MADE PERMANENT.

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

(b) Effective Date.—The amendment made by this section shall take effect as if included in section 204 of the Tax Increase Prevention and Reconciliation Act of 2005.

SEC. 243. REDUCTION IN MINIMUM VESSEL TONNAGE WHICH QUALIFIES FOR TONNAGE TAX MADE PERMANENT.

(a) In General.—Paragraph (4) of section 1355(a), as amended by section 205 of the Tax Increase Prevention and Reconciliation Act of 2005, is amended by striking “10,000 (6,000, in the case of taxable years beginning after December 31, 2005, and ending before January 1, 2011)” and inserting “6,000”.

(b) Effective Date.—The amendment made by this section shall take effect as if included in section 205 of the Tax Increase Prevention and Reconciliation Act of 2005.

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

(a) In General.—Section 206 of the Tax Increase Prevention and Reconciliation Act of 2005 is amended by striking “and before August 31, 2009”.
(b) Effective Date.—The amendment made by this section shall take effect as if included in section 206 of the Tax Increase Prevention and Reconciliation Act of 2005.

SEC. 245. GREAT LAKES DOMESTIC SHIPPING TO NOT DISQUALIFY VESSEL FROM TONNAGE TAX.

(a) In General.—Section 1355 (relating to definitions and special rules) is amended by redesignating subsection (g) as subsection (h) and by inserting after subsection (f) the following new subsection:

“(g) Great Lakes Domestic Shipping to Not Disqualify Vessel.—

“(1) In General.—If the electing corporation elects (at such time and in such manner as the Secretary may require) to apply this subsection for any taxable year to any qualifying vessel which is used in qualified zone domestic trade during the taxable year—

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

“(B) subsection (f) shall not apply with respect to such vessel for such taxable year.
“(2) Effect of temporarily operating vessel in United States domestic trade.—In the case of a qualifying vessel to which this subsection applies—

“(A) In general.—An electing corporation shall be treated as using such vessel in qualified zone domestic trade during any period of temporary use in the United States domestic trade (other than qualified zone domestic trade) if the electing corporation gives timely notice to the Secretary stating—

“(i) that it temporarily operates or has operated in the United States domestic trade (other than qualified zone domestic trade) a qualifying vessel which had been used in the United States foreign trade or qualified zone domestic trade, and

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

“(B) Notice.—Notice shall be deemed timely if given not later than the due date (including extensions) for the corporation’s tax return for the taxable year in which the temporary cessation begins.
“(C) Period disregard in effect.—

The period of temporary use under subparagraph (A) continues until the earlier of the date of which—

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

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

“(D) No disregard if domestic trade use exceeds 30 days.—Subparagraph (A) shall not apply to any qualifying vessel which is operated in the United States domestic trade (other than qualified zone domestic trade) for more than 30 days during the taxable year.

“(3) Allocation of income and deductions to qualifying shipping activities.—In the case of a qualifying vessel to which this subsection applies, the Secretary shall prescribe rules for the proper allocation of income, expenses, losses, and deductions between the qualified shipping activities and the other activities of such vessel.
“(4) Qualified zone domestic trade.—For purposes of this subsection—

“(A) In general.—The term ‘qualified zone domestic trade’ means the transportation of goods or passengers between places in the qualified zone if such transportation is in the United States domestic trade.

“(B) Qualified zone.—The term ‘qualified zone’ means the Great Lakes Waterway and the St. Lawrence Seaway.”.

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

SEC. 246. USE OF QUALIFIED MORTGAGE BONDS TO FINANCE RESIDENCES FOR VETERANS WITHOUT REGARD TO FIRST-TIME HOMEBUYER REQUIREMENT.

(a) In general.—Section 143(d)(2) (relating to exceptions to 3-year requirement) is amended by striking “and” at the end of subparagraph (B), by adding “and” at the end of subparagraph (C), and by inserting after subparagraph (C) the following new subparagraph:

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

graph,”.

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

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

(a) IN GENERAL.—Subparagraph (A) of section 121(d)(9) (relating to exclusion of gain from sale of principal residence) is amended by striking “duty” and all that follows and inserting “duty—

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

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

“(iii) as an employee of the intelligence community.”.

(b) EMPLOYEE OF INTELLIGENCE COMMUNITY DEFINED.—Subparagraph (C) of section 121(d)(9) is amended by redesignating clause (iv) as clause (v) and by inserting after clause (iii) the following new clause:
“(iv) Employee of intelligence community.—The term ‘employee of the intelligence community’ means an employee (as defined by section 2105 of title 5, United States Code) of—

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

“(II) the Central Intelligence Agency,

“(III) the National Security Agency,

“(IV) the Defense Intelligence Agency,

“(V) the National Geospatial-Intelligence Agency,

“(VI) the National Reconnaissance Office,

“(VII) any other office within the Department of Defense for the collection of specialized national intelligence through reconnaissance programs,

“(VIII) any of the intelligence elements of the Army, the Navy, the Air Force, the Marine Corps, the Federal Bureau of Investigation, the De-
partment of Treasury, the Department of Energy, and the Coast Guard,

“(IX) the Bureau of Intelligence and Research of the Department of State, or

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

(c) Special Rule.—Subparagraph (C) of section 121(d)(9), as amended by subsection (b), is amended by adding at the end the following new clause:

“(vi) Special rule relating to intelligence community.—An employee of the intelligence community shall not be treated as serving on qualified extended duty unless such duty is at a duty station located outside the United States.”.

(d) Conforming Amendment.—The heading for section 121(d)(9) is amended to read as follows: “Uniformed Services, Foreign Service, and Intelligence Community”.

(c) **Effective Date.**—The amendments made by this section shall apply to sales or exchanges after the date of the enactment of this Act and before January 1, 2011.

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

(a) **Nonapplication of Phaseout.**—Section 45K(g)(2) is amended by adding at the end the following new subparagraph:

“(D) **Nonapplication of Phaseout.**—Subsection (b)(1) shall not apply.”

(b) **Clarification of Qualifying Facility.**—Section 45K(g)(1) is amended by inserting “(other than from petroleum based products)” after “coke or coke gas”.

(e) **Effective Date.**—The amendments made by this section shall take effect as if included in section 1321 of the Energy Policy Act of 2005.

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

(a) **In General.**—Section 1043(b) (relating to the sale of property to comply with conflict-of-interest requirements) is amended—

(1) in paragraph (1)—

(A) in subparagraph (A), by inserting “, or a judicial officer,” after “an officer or employee of the executive branch”; and
(B) in subparagraph (B), by inserting “judicial canon,” after “any statute, regulation, rule,”;

(2) in paragraph (2)—

(A) in subparagraph (A), by inserting “judicial canon,” after “any Federal conflict of interest statute, regulation, rule,”; and

(B) in subparagraph (B), by inserting after “the Director of the Office of Government Ethics,” the following: “in the case of executive branch officers or employees, or by the Judicial Conference of the United States (or its designee), in the case of judicial officers,”; and

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

(b) JUDICIAL OFFICER DEFINED.—Section 1043(b) is amended by adding at the end the following new paragraph:

“(6) JUDICIAL OFFICER.—The term ‘judicial officer’ means the Chief Justice of the United States, the Associate Justices of the Supreme Court, and the judges of the United States courts of appeals, United States district courts, including the district courts in Guam, the Northern Mariana Islands, and the Virgin Islands, Court of Appeals for
the Federal Circuit, Court of International Trade, Tax Court, Court of Federal Claims, Court of Ap- pears for Veterans Claims, United States Court of Appeals for the Armed Forces, and any court cre- ated by Act of Congress, the judges of which are en- titled to hold office during good behavior.”.

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

SEC. 250. PREMIUMS FOR MORTGAGE INSURANCE.

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

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

“(i) IN GENERAL.—Premiums paid or accrued for qualified mortgage insurance by a taxpayer during the taxable year in connection with acquisition indebtedness with respect to a qualified residence of the taxpayer shall be treated for purposes of this section as interest which is qualified residence interest.

“(ii) PHASEOUT.—The amount other- wise treated as interest under clause (i)
shall be reduced (but not below zero) by 10 percent of such amount for each $1,000 ($500 in the case of a married individual filing a separate return) (or fraction thereof) that the taxpayer’s adjusted gross income for the taxable year exceeds $100,000 ($50,000 in the case of a married individual filing a separate return).

“(iii) LIMITATION.—Clause (i) shall not apply with respect to any mortgage insurance contracts issued before January 1, 2007.

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

“(I) paid or accrued after December 31, 2007, or

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

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

“(E) QUALIFIED MORTGAGE INSURANCE.—The term ‘qualified mortgage insurance’ means—
“(i) mortgage insurance provided by the Veterans Administration, the Federal Housing Administration, or the Rural Housing Administration, and

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

“(F) SPECIAL RULES FOR PREPAID QUALIFIED MORTGAGE INSURANCE.—Any amount paid by the taxpayer for qualified mortgage insurance that is properly allocable to any mortgage the payment of which extends to periods that are after the close of the taxable year in which such amount is paid shall be chargeable to capital account and shall be treated as paid in such periods to which so allocated. No deduction shall be allowed for the unamortized balance of such account if such mortgage is satisfied before the end of its term. The preceding sentences shall not apply to amounts paid for qualified mortgage insurance provided by the Veterans Administration or the Rural Housing Administration.”.
(c) Information Returns Relating to Mortgage Insurance.—Section 6050H (relating to returns relating to mortgage interest received in trade or business from individuals) is amended by adding at the end the following new subsection:

“(h) Returns Relating to Mortgage Insurance Premiums.—

“(1) In general.—The Secretary may prescribe, by regulations, that any person who, in the course of a trade or business, receives from any individual premiums for mortgage insurance aggregating $600 or more for any calendar year, shall make a return with respect to each such individual. Such return shall be in such form, shall be made at such time, and shall contain such information as the Secretary may prescribe.

“(2) Statement to be furnished to individuals with respect to whom information is required.—Every person required to make a return under paragraph (1) shall furnish to each individual with respect to whom a return is made a written statement showing such information as the Secretary may prescribe. Such written statement shall be furnished on or before January 31 of the year.
following the calendar year for which the return under paragraph (1) was required to be made.

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

“(A) rules similar to the rules of subsection (e) shall apply, and

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

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

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

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

SEC. 251. MODIFICATION OF REFUNDS FOR KEROSENE USED IN AVIATION.

(a) IN GENERAL.—Paragraph (4) of section 6427(l) (relating to nontaxable uses of diesel fuel and kerosene) is amended to read as follows:
“(4) Refunds for kerosene used in aviation.—

“(A) Kerosene used in commercial aviation.—In the case of kerosene used in commercial aviation (as defined in section 4083(b)) (other than supplies for vessels or aircraft within the meaning of section 4221(d)(3)), paragraph (1) shall not apply to so much of the tax imposed by section 4041 or 4081, as the case may be, as is attributable to—

“(i) the Leaking Underground Storage Tank Trust Fund financing rate imposed by such section, and

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

“(B) Kerosene used in noncommercial aviation.—In the case of kerosene used in aviation that is not commercial aviation (as so defined) (other than any use which is exempt from the tax imposed by section 4041(c) other than by reason of a prior imposition of tax), paragraph (1) shall not apply to—
“(i) any tax imposed by section 4041(e), and
“(ii) so much of the tax imposed by section 4081 as is attributable to—
“(I) the Leaking Underground Storage Tank Trust Fund financing rate imposed by such section, and
“(II) so much of the rate of tax specified in section 4081(a)(2)(A)(iii) as does not exceed the rate specified in section 4081(a)(2)(C)(ii).
“(C) Payments to ultimate, registered vendor.—
“(i) In general.—With respect to any kerosene used in aviation (other than kerosene described in clause (ii) or kerosene to which paragraph (5) applies), if the ultimate purchaser of such kerosene waives (at such time and in such form and manner as the Secretary shall prescribe) the right to payment under paragraph (1) and assigns such right to the ultimate vendor, then the Secretary shall pay the amount which would be paid under para-
graph (1) to such ultimate vendor, but only if such ultimate vendor—

“(I) is registered under section 4101, and

“(II) meets the requirements of subparagraph (A), (B), or (D) of section 6416(a)(1).

“(ii) Payments for kerosene used in noncommercial aviation.—The amount which would be paid under paragraph (1) with respect to any kerosene to which subparagraph (B) applies shall be paid only to the ultimate vendor of such kerosene. A payment shall be made to such vendor if such vendor—

“(I) is registered under section 4101, and

“(II) meets the requirements of subparagraph (A), (B), or (D) of section 6416(a)(1).”.

(b) Conforming Amendments.—

(1) Section 6427(l) is amended by striking paragraph (5) and by redesignating paragraph (6) as paragraph (5).
(2) Section 4082(d)(2)(B) is amended by striking “section 6427(l)(6)(B)” and inserting “section 6427(l)(5)(B)”.

(3) Section 6427(i)(4)(A) is amended—

(A) by striking “paragraph (4)(B), (5), or (6)” each place it appears and inserting “paragraph (4)(C) or (5)”, and

(B) by striking “(l)(5), and (l)(6)” and inserting “(l)(4)(C)(ii), and (l)(5)”.

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

(5) Section 9502(d) is amended—

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

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

(6) Section 9503(c)(7) is amended—

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

“(A) 4.3 cents per gallon of kerosene subject to section 6427(l)(4)(A) with respect to which a payment has been made by the Secretary under section 6427(l), and

“(B) 21.8 cents per gallon of kerosene subject to section 6427(l)(4)(B) with respect to
which a payment has been made by the Secretary under section 6427(l).”, and

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

(c) Effective Date.—

(1) In General.—The amendments made by this section shall apply to kerosene sold after September 30, 2005.

(2) Special Rule for Pending Claims.—In the case of kerosene sold for use in aviation (other than kerosene to which section 6427(l)(4)(C)(ii) of the Internal Revenue Code of 1986 (as added by subsection (a)) applies or kerosene to which section 6427(l)(5) of such Code (as redesignated by subsection (b)) applies) after September 30, 2005, and before the date of the enactment of this Act, the ultimate purchaser shall be treated as having waived the right to payment under section 6427(l)(1) of such Code and as having assigned such right to the ultimate vendor if such ultimate vendor has met the requirements of subparagraph (A), (B), or (D) of section 6416(a)(1) of such Code.

(d) Special Rule for Kerosene Used in Aviation on a Farm for Farming Purposes.—
(1) Refunds for purchases after December 31, 2004, and before October 1, 2005.—
The Secretary of the Treasury shall pay to the ultimate purchaser of any kerosene which is used in aviation on a farm for farming purposes and which was purchased after December 31, 2004, and before October 1, 2005, an amount equal to the aggregate amount of tax imposed on such fuel under section 4041 or 4081 of the Internal Revenue Code of 1986, as the case may be, reduced by any payment to the ultimate vendor under section 6427(l)(5)(C) of such Code (as in effect on the day before the date of the enactment of the Safe, Accountable, Flexible, Efficient Transportation Equity Act: a Legacy for Users).

(2) Use on a farm for farming purposes.—For purposes of paragraph (1), kerosene shall be treated as used on a farm for farming purposes if such kerosene is used for farming purposes (within the meaning of section 6420(c)(3) of the Internal Revenue Code of 1986) in carrying on a trade or business on a farm situated in the United States. For purposes of the preceding sentence, rules similar to the rules of section 6420(c)(4) of such Code shall apply.
(3) **TIME FOR FILING CLAIMS.**—No claim shall be allowed under paragraph (1) unless the ultimate purchaser files such claim before the date that is 3 months after the date of the enactment of this Act.

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

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

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

(a) **IN GENERAL.**—Part I of subchapter P of chapter 1 is amended by adding at the end the following new section:

"**SEC. 1203. DEDUCTION FOR QUALIFIED TIMBER GAIN.**

"(a) **IN GENERAL.**—In the case of a taxpayer which elects the application of this section for a taxable year, there shall be allowed a deduction against gross income equal to 60 percent of the lesser of—"
“(1) the taxpayer’s qualified timber gain for such year, or

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

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

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

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

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

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

“(2) the Secretary may prescribe such regulations as are appropriate to apply this section to such gain.

“(d) TERMINATION.—No disposition of timber after December 31, 2007, shall be taken into account under subsection (b).”.
(b) COORDINATION WITH MAXIMUM CAPITAL GAINS RATES.—

(1) TAXPAYERS OTHER THAN CORPORATIONS.—Paragraph (2) of section 1(h) is amended to read as follows:

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

“(A) the amount which the taxpayer takes into account as investment income under section 163(d)(4)(B)(iii), and

“(B) in the case of a taxable year with respect to which an election is in effect under section 1203, the lesser of—

“(i) the amount described in paragraph (1) of section 1203(a), or

“(ii) the amount described in paragraph (2) of such section.”.

(2) CORPORATIONS.—Section 1201 is amended by redesignating subsection (b) as subsection (c) and inserting after subsection (a) the following new subsection:

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

(c) Deduction Allowed Whether or Not Individual Itemizes Other Deductions.—Subsection (a) of section 62, as amended by this Act, is amended by inserting before the last sentence the following new paragraph:

“(22) Qualified timber gains.—The deduction allowed by section 1203.”.

(d) Deduction Allowed in Computing Adjusted Current Earnings.—Subparagraph (C) of section 56(g)(4) is amended by adding at the end the following new clause:

“(vii) Deduction for qualified timber gain.—Clause (i) shall not apply to any deduction allowed under section 1203.”.

(e) Deduction Allowed in Computing Taxable Income of Electing Small Business Trusts.—Subparagraph (C) of section 641(c)(2) is amended by inserting after clause (iii) the following new clause:
“(iv) The deduction allowed under section 1203.”.

(f) CONFORMING AMENDMENTS.—

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

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

(2) Paragraph (4) of section 642(e) is amended by striking the first sentence and inserting the following: “To the extent that the amount otherwise allowable as a deduction under this subsection consists of gain described in section 1202(a) or qualified timber gain (as defined in section 1203(b)), proper adjustment shall be made for any exclusion allowable to the estate or trust under section 1202 and for any deduction allowable to the estate or trust under section 1203.”.

(3) Paragraph (3) of section 643(a) is amended by striking the last sentence and inserting the following: “The exclusion under section 1202 and the deduction under section 1203 shall not be taken into account.”.

(4) Subparagraph (C) of section 643(a)(6) is amended to read as follows:
“(C) Paragraph (3) shall not apply to a foreign trust. In the case of such a trust—

“(i) there shall be included gains from the sale or exchange of capital assets, reduced by losses from such sales or exchanges to the extent such losses do not exceed gains from such sales or exchanges, and

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

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

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

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

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

(g) EFFECTIVE DATE.—

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

(2) TAXABLE YEARS WHICH INCLUDE DATE OF ENACTMENT.—In the case of any taxable year which includes the date of the enactment of this Act, for
purposes of the Internal Revenue Code of 1986, the taxpayer’s qualified timber gain shall not exceed the excess that would be described in section 1203(b) of such Code, as added by this section, if only dispositions of timber after such date were taken into account.

SEC. 253. CREDIT TO HOLDERS OF RURAL RENAISSANCE BONDS.

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

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

“(a) ALLOWANCE OF CREDIT.—In the case of a taxpayer who holds a rural renaissance bond on a credit allowance date of such bond, which occurs during the taxable year, there shall be allowed as a credit against the tax imposed by this chapter for such taxable year an amount equal to the sum of the credits determined under subsection (b) with respect to credit allowance dates during such year on which the taxpayer holds such bond.

“(b) AMOUNT OF CREDIT.—

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

“(2) ANNUAL CREDIT.—The annual credit determined with respect to any rural renaissance bond is the product of—

“(A) the credit rate determined by the Secretary under paragraph (3) for the day on which such bond was sold, multiplied by

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

“(3) DETERMINATION.—For purposes of paragraph (2), with respect to any rural renaissance bond, the Secretary shall determine daily or caused to be determined daily a credit rate which shall apply to the first day on which there is a binding, written contract for the sale or exchange of the bond. The credit rate for any day is the credit rate which the Secretary or the Secretary’s designee estimates will permit the issuance of rural renaissance bonds with a specified maturity or redemption date without discount and without interest cost to the qualified issuer.

“(4) CREDIT ALLOWANCE DATE.—For purposes of this section, the term ‘credit allowance date’ means—
“(A) March 15,

“(B) June 15,

“(C) September 15, and

“(D) December 15.

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

“(5) Special rule for issuance and redemption.—In the case of a bond which is issued during the 3-month period ending on a credit allowance date, the amount of the credit determined under this subsection with respect to such credit allowance date shall be a ratable portion of the credit otherwise determined based on the portion of the 3-month period during which the bond is outstanding. A similar rule shall apply when the bond is redeemed or matures.

“(c) Limitation based on amount of tax.—The credit allowed under subsection (a) for any taxable year shall not exceed the excess of—

“(1) the sum of the regular tax liability (as defined in section 26(b)) plus the tax imposed by section 55, over

“(2) the sum of the credits allowable under this part (other than subpart C and this section).
“(d) RURAL RENAISSANCE BOND.—For purposes of this section—

“(1) IN GENERAL.—The term ‘rural renaissance bond’ means any bond issued as part of an issue if—

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

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

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

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

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

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

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

“(i) a water or waste treatment project,
“(ii) an affordable housing project,

“(iii) a community facility project, including hospitals, fire and police stations, and nursing and assisted-living facilities,

“(iv) a value-added agriculture or renewable energy facility project for agricultural producers or farmer-owned entities, including any project to promote the production, processing, or retail sale of ethanol (including fuel at least 85 percent of the volume of which consists of ethanol), biodiesel, animal waste, biomass, raw commodities, or wind as a fuel,

“(v) a distance learning or telemedicine project,

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

“(vii) a project to expand broadband technology,

“(viii) a rural teleworks project, and

“(ix) any project described in any preceding clause carried out by the Delta Regional Authority.
“(C) SPECIAL RULES.—For purposes of this paragraph—

“(i) any project described in subparagraph (B)(iv) for a farmer-owned entity may be considered a qualified project if such entity is located in a rural area, or in the case of a farmer-owned entity the headquarters of which are located in a nonrural area, if the project is located in a rural area, and

“(ii) any project for a farmer-owned entity which is a facility described in subparagraph (B)(iv) for agricultural producers may be considered a qualified project regardless of whether the facility is located in a rural or nonrural area.

“(3) SPECIAL USE RULES.—

“(A) REFINANCING RULES.—For purposes of paragraph (1)(B), a qualified project may be refinanced with proceeds of a rural renaissance bond only if the indebtedness being refinanced (including any obligation directly or indirectly refinanced by such indebtedness) was originally incurred after the date of the enactment of this section.
“(B) Reimbursement.—For purposes of paragraph (1)(B), a rural renaissance bond may be issued to reimburse a borrower for amounts paid after the date of the enactment of this section with respect to a qualified project, but only if—

“(i) prior to the payment of the original expenditure, the borrower declared its intent to reimburse such expenditure with the proceeds of a rural renaissance bond,

“(ii) not later than 60 days after payment of the original expenditure, the qualified issuer adopts an official intent to reimburse the original expenditure with such proceeds, and

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

“(C) Treatment of Changes in Use.—For purposes of paragraph (1)(B), the proceeds of an issue shall not be treated as used for a qualified project to the extent that a borrower takes any action within its control which causes such proceeds not to be used for a qualified project. The Secretary shall prescribe regula-
tions specifying remedial actions that may be taken (including conditions to taking such remedial actions) to prevent an action described in the preceding sentence from causing a bond to fail to be a rural renaissance bond.

“(e) Maturity Limitations.—

“(1) Duration of Term.—A bond shall not be treated as a rural renaissance bond if the maturity of such bond exceeds the maximum term determined by the Secretary under paragraph (2) with respect to such bond.

“(2) Maximum Term.—During each calendar month, the Secretary shall determine the maximum term permitted under this paragraph for bonds issued during the following calendar month. Such maximum term shall be the term which the Secretary estimates will result in the present value of the obligation to repay the principal on the bond being equal to 50 percent of the face amount of such bond. Such present value shall be determined without regard to the requirements of paragraph (3) and using as a discount rate the average annual interest rate of tax-exempt obligations having a term of 10 years or more which are issued during the month. If the term as so determined is not a multiple of a
whole year, such term shall be rounded to the next
highest whole year.

“(3) Ratable principal amortization re-
quired.—A bond shall not be treated as a rural
renaissance bond unless it is part of an issue which
provides for an equal amount of principal to be paid
by the qualified issuer during each calendar year
that the issue is outstanding.

“(f) Limitation on amount of bonds des-
ignated.—

“(1) National limitation.—There is a rural
renaissance bond limitation of $200,000,000.

“(2) Allocation by secretary.—The Sec-
retary shall allocate the amount described in para-
graph (1) among qualified projects in such manner
as the Secretary determines appropriate.

“(g) Credit included in gross income.—Gross
income includes the amount of the credit allowed to the
taxpayer under this section (determined without regard to
subsection (e)) and the amount so included shall be treat-
ed as interest income.

“(h) Special rules relating to expendi-
tures.—

“(1) In general.—An issue shall be treated as
meeting the requirements of this subsection if, as of
the date of issuance, the qualified issuer reasonably expects—

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

“(B) a binding commitment with a third party to spend at least 10 percent of the proceeds from the sale of the issue will be incurred within the 6-month period beginning on the date of issuance of the rural renaissance bond or, in the case of a rural renaissance bond, the proceeds of which are to be loaned to 2 or more borrowers, such binding commitment will be incurred within the 6-month period beginning on the date of the loan of such proceeds to a borrower, and

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

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

“(3) Failure to spend required amount
of bond proceeds within 5 years.—To the ex-
tent that less than 95 percent of the proceeds of
such issue are expended by the close of the 5-year
period beginning on the date of issuance (or if an
extension has been obtained under paragraph (2), by
the close of the extended period), the qualified issuer
shall redeem all of the nonqualified bonds within 90
days after the end of such period. For purposes of
this paragraph, the amount of the nonqualified
bonds required to be redeemed shall be determined
in the same manner as under section 142.

“(i) Special Rules Relating to Arbitrage.—A
bond which is part of an issue shall not be treated as a
rural renaissance bond unless, with respect to the issue
of which the bond is a part, the qualified issuer satisfies
the arbitrage requirements of section 148 with respect to
proceeds of the issue.

“(j) Qualified Issuer.—For purposes of this sec-
tion—

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

“(2) User Fee Requirement.—The requirement of this paragraph is met if the issuer of any rural renaissance bond makes grants for qualified projects as defined under subsection (d)(2) on a semi-annual basis every year that such bond is outstanding in an annual amount equal to one-half of the rate on United States Treasury Bills of the same maturity multiplied by the outstanding principal balance of rural renaissance bonds issued by such issuer.

“(k) Special Rules Relating to Pool Bonds.—No portion of a pooled financing bond may be allocable to a loan unless the borrower has entered into a written loan commitment for such portion prior to the issue date of such issue.

“(l) Other Definitions and Special Rules.—For purposes of this section—

“(1) Bond.—The term ‘bond’ includes any obligation.
“(2) POOLED FINANCING BOND.—The term ‘pooled financing bond’ shall have the meaning given such term by section 149(f)(4)(A).

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

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

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

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

“(A) IN GENERAL.—Under regulations prescribed by the Secretary, in the case of a partnership, trust, S corporation, or other pass-thru entity, rules similar to the rules of section 41(g) shall apply with respect to the credit allowable under subsection (a).

“(B) NO BASIS ADJUSTMENT.—In the case of a bond held by a partnership or an S corporation, rules similar to the rules under section 1397E(l) shall apply.

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

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

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

“(9) REPORTING OF CREDIT ON RURAL RENAIS-
SANCE BONDS.—

“(A) IN GENERAL.—For purposes of sub-
section (a), the term ‘interest’ includes amounts
includible in gross income under section 54A(f)
and such amounts shall be treated as paid on
the credit allowance date (as defined in section
54A(b)(4)).

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

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

(c) **CONFORMING AMENDMENTS.**—

(1) The table of sections for subpart H of part IV of subchapter A of chapter 1 is amended by adding at the end the following new item:

“Sec. 54A. Credit to holders of rural renaissance bonds.”.

(2) Section 54(c)(2) is amended by inserting “, section 54A,” after “subpart C”.

(3) Section 1400N(l)(3)(B) is amended by inserting “, section 54A,” after “subpart C”.

(d) **ISSUANCE OF REGULATIONS.**—The Secretary of Treasury shall issue regulations required under section 54A of the Internal Revenue Code of 1986 (as added by this section) not later than 120 days after the date of the enactment of this Act.

(e) **EFFECTIVE DATE.**—The amendments made by this section shall apply to bonds issued after the date of the enactment of this Act and before January 1, 2010.

**SEC. 254. RESTORATION OF DEDUCTION FOR TRAVEL EXPENSES OF SPOUSE, ETC. ACCOMPANYING TAXPAYER ON BUSINESS TRAVEL.**

(a) **IN GENERAL.**—Subsection (m) of section 274 (relating to additional limitations on travel expenses) is
amended by adding at the end the following new para-
graph:

“(4) **TERMINATION.**—Paragraph (3) shall not apply to any expense paid or incurred after the date of the enactment of this paragraph and before January 1, 2008.”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to amounts paid or incurred after the date of the enactment of this Act.

**SEC. 255. TECHNICAL CORRECTIONS.**

(a) **TECHNICAL CORRECTION RELATING TO LOOK-THROUGH TREATMENT OF PAYMENTS BETWEEN RELATED CONTROLLED FOREIGN CORPORATIONS UNDER THE FOREIGN PERSONAL HOLDING COMPANY RULES.**—

(1) **IN GENERAL.**—

(A) The first sentence of section 954(c)(6)(A), as amended by section 103(b) of the Tax Increase Prevention and Reconciliation Act of 2005, is amended by striking “which is not subpart F income” and inserting “which is neither subpart F income nor income treated as effectively connected with the conduct of a trade or business in the United States”.

(B) Section 954(c)(6)(A), as so amended, is amended by striking the last sentence and in-
serting the following: “The Secretary shall pre-
scribe such regulations as may be necessary or
appropriate to carry out this paragraph, includ-
ing such regulations as may be necessary or ap-
propriate to prevent the abuse of the purposes
of this paragraph.”

(2) EFFECTIVE DATE.—The amendments made
by this subsection shall take effect as if included in
section 103(b) of the Tax Increase Prevention and

(b) TECHNICAL CORRECTION REGARDING AUTHOR-
ITY TO EXERCISE REASONABLE CAUSE AND GOOD FAITH
EXCEPTION.—

(1) IN GENERAL.—Section 903(d)(2)(B)(iii) of
the American Jobs Creation Act of 2004, as amend-
ed by section 303(a) of the Gulf Opportunity Zone
Act of 2005, is amended by inserting “or the Sec-
retary’s delegate” after “the Secretary of the Treas-
ury”.

(2) EFFECTIVE DATE.—The amendment made
by this subsection shall take effect as if included in
the provisions of the American Jobs Creation Act of
2004 to which it relates.
TITLE III—SURFACE MINING
CONTROL AND RECLAMATION
ACT AMENDMENTS OF 2006

SEC. 301. SHORT TITLE.

This title may be cited as the “Surface Mining Control and Reclamation Act Amendments of 2006”.

Subtitle A—MINING CONTROL AND RECLAMATION

SEC. 311. ABANDONED MINE RECLAMATION FUND AND PURPOSES.

(a) In General.—Section 401 of the Surface Mining Control and Reclamation Act of 1977 (30 U.S.C. 1231) is amended—

(1) in subsection (c)—

(A) by striking paragraphs (2) and (6); and

(B) by redesignating paragraphs (3), (4), and (5) and paragraphs (7) through (13) as paragraphs (2) through (11), respectively;

(2) by striking subsection (d) and inserting the following:

“(d) Availability of Moneys; No Fiscal Year Limitation.—

“(1) In General.—Moneys from the fund for expenditures under subparagraphs (A) through (D)
of section 402(g)(3) shall be available only when appropriated for those subparagraphs.

“(2) NO FISCAL YEAR LIMITATION.— Appropriations described in paragraph (1) shall be made without fiscal year limitation.

“(3) OTHER PURPOSES.— Moneys from the fund shall be available for all other purposes of this title without prior appropriation as provided in subsection (f).”;

(3) in subsection (e)—

(A) in the second sentence, by striking “the needs of such fund” and inserting “achieving the purposes of the transfers under section 402(h)”;

(B) in the third sentence, by inserting before the period the following: “for the purpose of the transfers under section 402(h)”;

(4) by adding at the end the following:

“(f) GENERAL LIMITATION ON OBLIGATION AUTHORITY.—

“(1) IN GENERAL.— From amounts deposited into the fund under subsection (b), the Secretary shall distribute during each fiscal year beginning after September 30, 2007, an amount determined under paragraph (2).
“(2) Amounts.—

“(A) For fiscal years 2008 through 2022.—For each of fiscal years 2008 through 2022, the amount distributed by the Secretary under this subsection shall be equal to—

“(i) the amounts deposited into the fund under paragraphs (1), (2), and (4) of subsection (b) for the preceding fiscal year that were allocated under paragraphs (1) and (5) of section 402(g); plus

“(ii) the amount needed for the adjustment under section 402(g)(8) for the current fiscal year.

“(B) Fiscal years 2023 and thereafter.—For fiscal year 2023 and each fiscal year thereafter, to the extent that funds are available, the Secretary shall distribute an amount equal to the amount distributed under subparagraph (A) during fiscal year 2022.

“(3) Distribution.—

“(A) In general.—Except as provided in subparagraph (B), for each fiscal year, of the amount to be distributed to States and Indian tribes pursuant to paragraph (2), the Secretary shall distribute—
“(i) the amounts allocated under paragraph (1) of section 402(g), the amounts allocated under paragraph (5) of section 402(g), and any amount reallocated under section 411(h)(3) in accordance with section 411(h)(2), for grants to States and Indian tribes under section 402(g)(5); and

“(ii) the amounts allocated under section 402(g)(8).

“(B) Exclusion.—Beginning on October 1, 2007, certified States shall be ineligible to receive amounts under section 402(g)(1).

“(4) Availability.—Amounts in the fund available to the Secretary for obligation under this subsection shall be available until expended.

“(5) Addition.—

“(A) In general.—Subject to subparagraph (B), the amount distributed under this subsection for each fiscal year shall be in addition to the amount appropriated from the fund during the fiscal year.

“(B) Exceptions.—Notwithstanding paragraph (3), the amount distributed under this subsection for the first 4 fiscal years beginning on and after October 1, 2007, shall be
equal to the following percentage of the amount otherwise required to be distributed:

“(i) 50 percent in fiscal year 2008.
“(ii) 50 percent in fiscal year 2009.
“(iii) 75 percent in fiscal year 2010.
“(iv) 75 percent in fiscal year 2011.”.

(b) CONFORMING AMENDMENT.—Section 712(b) of the Surface Mining Control and Reclamation Act of 1977 (30 U.S.C. 1302(b)) is amended by striking “section 401(c)(11)” and inserting “section 401(c)(9)”.

SEC. 312. RECLAMATION FEE.

(a) AMOUNTS.—

(1) FISCAL YEARS 2008–2012.—Effective October 1, 2007, section 402(a) of the Surface Mining Control and Reclamation Act of 1977 (30 U.S.C. 1232(a)) is amended—

(A) by striking “35” and inserting “31.5”;
(B) by striking “15” and inserting “13.5”;
and
(C) by striking “10 cents” and inserting “9 cents”.

(2) FISCAL YEARS 2013–2021.—Effective October 1, 2012, section 402(a) of the Surface Mining Control and Reclamation Act of 1977 (30 U.S.C.
1232(a)(as amended by paragraph (1)) is amended—

(A) by striking “31.5” and inserting “28”;

(B) by striking “13.5” and inserting “12”;

and

(C) by striking “9 cents” and inserting “8 cents”.

(b) DURATION.—Effective September 30, 2007, section 402(b) of the Surface Mining Control and Reclamation Act of 1977 (30 U.S.C. 1232(b)) (as amended by section 7007 of the Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery, 2006 (Public Law 109–234; 120 Stat. 484)) is amended by striking “September 30, 2007” and all that follows through the end of the sentence and inserting “September 30, 2021.”.

(c) ALLOCATION OF FUNDS.—Section 402(g) of the Surface Mining Control and Reclamation Act of 1977 (30 U.S.C. 1232(g)) is amended—

(1) in paragraph (1)(D)—

(A) by inserting “(except for grants awarded during fiscal years 2008, 2009, and 2010 to the extent not expended within 5 years)” after “this paragraph”; and
(B) by striking “in any area under paragraph (2), (3), (4), or (5)” and inserting “under paragraph (5)”;

(2) by striking paragraph (2) and inserting:

“(2) In making the grants referred to in paragraph (1)(C) and the grants referred to in paragraph (5), the Secretary shall ensure strict compliance by the States and Indian tribes with the priorities described in section 403(a) until a certification is made under section 411(a).”;

(3) in paragraph (3)—

(A) in the matter preceding subparagraph (A), by striking “paragraphs (2) and” and inserting “paragraph”;

(B) in subparagraph (A), by striking “401(c)(11)” and inserting “401(c)(9)”;

(C) by adding at the end the following:

“(E) For the purpose of paragraph (8).”;

(4) in paragraph (5)—

(A) by inserting “(A)” after “(5)”;

(B) in the first sentence, by striking “40” and inserting “60”;

(C) in the last sentence, by striking “Funds allocated or expended by the Secretary under paragraphs (2), (3), or (4)” and insert-
ing “Funds made available under paragraph (3) or (4)”; and

(D) by adding at the end the following:

“(B) Any amount that is reallocated and available under section 411(h)(3) shall be in addition to amounts that are allocated under subparagraph (A).”; and

(5) by striking paragraphs (6) through (8) and inserting the following:

“(6)(A) Any State with an approved abandoned mine reclamation program pursuant to section 405 may receive and retain, without regard to the 3-year limitation referred to in paragraph (1)(D), up to 30 percent of the total of the grants made annually to the State under paragraphs (1) and (5) if those amounts are deposited into an acid mine drainage abatement and treatment fund established under State law, from which amounts (together with all interest earned on the amounts) are expended by the State for the abatement of the causes and the treatment of the effects of acid mine drainage in a comprehensive manner within qualified hydrologic units affected by coal mining practices.

“(B) In this paragraph, the term ‘qualified hydrologic unit’ means a hydrologic unit—

“(i) in which the water quality has been significantly affected by acid mine drainage from coal min-
ing practices in a manner that adversely impacts biological resources; and

“(ii) that contains land and water that are—

“(I) eligible pursuant to section 404 and include any of the priorities described in section 403(a); and

“(II) the subject of expenditures by the State from the forfeiture of bonds required under section 509 or from other States sources to abate and treat acid mine drainage.

“(7) In complying with the priorities described in section 403(a), any State or Indian tribe may use amounts available in grants made annually to the State or tribe under paragraphs (1) and (5) for the reclamation of eligible land and water described in section 403(a)(3) before the completion of reclamation projects under paragraphs (1) and (2) of section 403(a) only if the expenditure of funds for the reclamation is done in conjunction with the expenditure before, on, or after the date of enactment of the Surface Mining Control and Reclamation Act Amendments of 2006 of funds for reclamation projects under paragraphs (1) and (2) of section 403(a).

“(8)(A) In making funds available under this title, the Secretary shall ensure that the grant awards total not less than $3,000,000 annually to each State and each In-
bian tribe having an approved abandoned mine reclamation program pursuant to section 405 and eligible land and water pursuant to section 404, so long as an allocation of funds to the State or tribe is necessary to achieve the priorities stated in paragraphs (1) and (2) of section 403(a).

“(B) Notwithstanding any other provision of law, this paragraph applies to the States of Tennessee and Missouri.”.

(d) **Transfers of Interest Earned by Abandoned Mine Reclamation Fund.**—Section 402 of the Surface Mining Control and Reclamation Act of 1977 (30 U.S.C. 1232) is amended by striking subsection (h) and inserting the following:

“(h) **Transfers of Interest Earned by Fund.**—

“(1) **In general.**—

“(A) **Transfers to Combined Benefit Fund.**—As soon as practicable after the beginning of fiscal year 2007 and each fiscal year thereafter, and before making any allocation with respect to the fiscal year under subsection (g), the Secretary shall use an amount not to exceed the amount of interest that the Secretary estimates will be earned and paid to the
fund during the fiscal year to make the transfer
described in paragraph (2)(A).

"(B) TRANSFERS TO 1992 AND 1993
PLANS.—As soon as practicable after the begin-
ning of fiscal year 2008 and each fiscal year
thereafter, and before making any allocation
with respect to the fiscal year under subsection
(g), the Secretary shall use an amount not to
exceed the amount of interest that the Sec-
retary estimates will be earned and paid to the
fund during the fiscal year (reduced by the
amount used under subparagraph (A)) to make
the transfers described in paragraphs (2)(B)
and (2)(C).

"(2) TRANSFERS DESCRIBED.—The transfers
referred to in paragraph (1) are the following:

"(A) UNITED MINE WORKERS OF AMERICA
COMBINED BENEFIT FUND.—A transfer to the
United Mine Workers of America Combined
Benefit Fund equal to the amount that the
trustees of the Combined Benefit Fund esti-
mate will be expended from the fund for the fis-
cal year in which the transfer is made, reduced
by—
“(i) the amount the trustees of the Combined Benefit Fund estimate the Combined Benefit Fund will receive during the fiscal year in—

“(I) required premiums; and

“(II) payments paid by Federal agencies in connection with benefits provided by the Combined Benefit Fund; and

“(ii) the amount the trustees of the Combined Benefit Fund estimate will be expended during the fiscal year to provide health benefits to beneficiaries who are unassigned beneficiaries solely as a result of the application of section 9706(h)(1) of the Internal Revenue Code of 1986, but only to the extent that such amount does not exceed the amounts described in subsection (i)(1)(A) that the Secretary estimates will be available to pay such estimated expenditures.

“(B) UNITED MINE WORKERS OF AMERICA 1992 BENEFIT PLAN.—A transfer to the United Mine Workers of America 1992 Benefit Plan, in an amount equal to the difference between—
“(i) the amount that the trustees of
the 1992 UMWA Benefit Plan estimate
will be expended from the 1992 UMWA
Benefit Plan during the next calendar year
to provide the benefits required by the
1992 UMWA Benefit Plan on the date of
enactment of this subparagraph; minus
“(ii) the amount that the trustees of
the 1992 UMWA Benefit Plan estimate
the 1992 UMWA Benefit Plan will receive
during the next calendar year in—
“(I) required monthly per benefi-
ciary premiums, including the
amount of any security provided to
the 1992 UMWA Benefit Plan that is
available for use in the provision of
benefits; and
“(II) payments paid by Federal
agencies in connection with benefits
provided by the 1992 UMWA benefit
plan.
“(C) MULTIEMPLOYER HEALTH BENEFIT
PLAN.—A transfer to the Multiemployer Health
Benefit Plan established after July 20, 1992,
by the parties that are the settlors of the 1992
UMWA Benefit Plan referred to in subparagraph (B) (referred to in this subparagraph and subparagraph (D) as ‘the Plan’), in an amount equal to the excess (if any) of—

“(i) the amount that the trustees of the Plan estimate will be expended from the Plan during the next calendar year, to provide benefits no greater than those provided by the Plan as of December 31, 2006; over

“(ii) the amount that the trustees estimated the Plan will receive during the next calendar year in payments paid by Federal agencies in connection with benefits provided by the Plan.

Such excess shall be calculated by taking into account only those beneficiaries actually enrolled in the Plan as of December 31, 2006, who are eligible to receive benefits under the Plan on the first day of the calendar year for which the transfer is made.

“(D) INDIVIDUALS CONSIDERED ENROLLED.—For purposes of subparagraph (C), any individual who was eligible to receive benefits from the Plan as of the date of enactment...
of this subsection, even though benefits were being provided to the individual pursuant to a settlement agreement approved by order of a bankruptcy court entered on or before September 30, 2004, will be considered to be actually enrolled in the Plan and shall receive benefits from the Plan beginning on December 31, 2006.

“(3) ADJUSTMENT.—If, for any fiscal year, the amount of a transfer under subparagraph (A), (B), or (C) of paragraph (2) is more or less than the amount required to be transferred under that subparagraph, the Secretary shall appropriately adjust the amount transferred under that subparagraph for the next fiscal year.

“(4) ADDITIONAL AMOUNTS.—

“(A) PREVIOUSLY CREDITED INTEREST.—Notwithstanding any other provision of law, any interest credited to the fund that has not previously been transferred to the Combined Benefit Fund referred to in paragraph (2)(A) under this section—

“(i) shall be held in reserve by the Secretary until such time as necessary to make the payments under subparagraphs...
(A) and (B) of subsection (i)(1), as described in clause (ii); and

“(ii) in the event that the amounts described in subsection (i)(1) are insufficient to make the maximum payments described in subparagraphs (A) and (B) of subsection (i)(1), shall be used by the Secretary to supplement the payments so that the maximum amount permitted under those paragraphs is paid.

“(B) PREVIOUSLY ALLOCATED AMOUNTS.—All amounts allocated under subsection (g)(2) before the date of enactment of this subparagraph for the program described in section 406, but not appropriated before that date, shall be available to the Secretary to make the transfers described in paragraph (2).

“(C) ADEQUACY OF PREVIOUSLY CREDITED INTEREST.—The Secretary shall—

“(i) consult with the trustees of the plans described in paragraph (2) at reasonable intervals; and

“(ii) notify Congress if a determination is made that the amounts held in reserve under subparagraph (A) are insuffi-
cient to meet future requirements under subparagraph (A)(ii).

“(D) ADDITIONAL RESERVE AMOUNTS.—

In addition to amounts held in reserve under subparagraph (A), there is authorized to be appropriated such sums as may be necessary for transfer to the fund to carry out the purposes of subparagraph (A)(ii).

“(E) INAPPLICABILITY OF CAP.—The limitation described in subsection (i)(3)(A) shall not apply to payments made from the reserve fund under this paragraph.

“(5) LIMITATIONS.—

“(A) AVAILABILITY OF FUNDS FOR NEXT FISCAL YEAR.—The Secretary may make transfers under subparagraphs (B) and (C) of paragraph (2) for a calendar year only if the Secretary determines, using actuarial projections provided by the trustees of the Combined Benefit Fund referred to in paragraph (2)(A), that amounts will be available under paragraph (1), after the transfer, for the next fiscal year for making the transfer under paragraph (2)(A).

“(B) RATE OF CONTRIBUTIONS OF OBLIGORS.—
“(i) IN GENERAL.—

“(I) RATE.—A transfer under paragraph (2)(C) shall not be made for a calendar year unless the persons that are obligated to contribute to the plan referred to in paragraph (2)(C) on the date of the transfer are obligated to make the contributions at rates that are no less than those in effect on the date which is 30 days before the date of enactment of this subsection.

“(II) APPLICATION.—The contributions described in subclause (I) shall be applied first to the provision of benefits to those plan beneficiaries who are not described in paragraph (2)(C)(ii).

“(ii) INITIAL CONTRIBUTIONS.—

“(I) IN GENERAL.—From the date of enactment of the Surface Mining Control and Reclamation Act Amendments of 2006 through December 31, 2010, the persons that, on the date of enactment of that Act, are ob-
ligated to contribute to the plan referred to in paragraph (2)(C) shall be obligated, collectively, to make contributions equal to the amount described in paragraph (2)(C), less the amount actually transferred due to the operation of subparagraph (C).

“(II) FIRST CALENDAR YEAR.—Calendar year 2006 is the first calendar year for which contributions are required under this clause.

“(III) AMOUNT OF CONTRIBUTION FOR 2006.—Except as provided in subclause (IV), the amount described in paragraph (2)(C) for calendar year 2006 shall be calculated as if paragraph (2)(C) had been in effect during 2005.

“(IV) LIMITATION.—The contributions required under this clause for calendar year 2006 shall not exceed the amount necessary for solvency of the plan described in paragraph (2)(C), measured as of December 31, 2006 and taking into account
all assets held by the plan as of that date.

“(iii) Division.—The collective annual contribution obligation required under clause (ii) shall be divided among the persons subject to the obligation, and applied uniformly, based on the hours worked for which contributions referred to in clause (i) would be owed.

“(C) Phase-In of Transfers.—For each of calendar years 2008 through 2010, the transfers required under subparagraphs (B) and (C) of paragraph (2) shall equal the following amounts:

“(i) For calendar year 2008, the Secretary shall make transfers equal to 25 percent of the amounts that would otherwise be required under subparagraphs (B) and (C) of paragraph (2).

“(ii) For calendar year 2009, the Secretary shall make transfers equal to 50 percent of the amounts that would otherwise be required under subparagraphs (B) and (C) of paragraph (2).
“(iii) For calendar year 2010, the Secretary shall make transfers equal to 75 percent of the amounts that would otherwise be required under subparagraphs (B) and (C) of paragraph (2).

“(i) FUNDING.—

“(1) IN GENERAL.—Subject to paragraph (3), out of any funds in the Treasury not otherwise appropriated, the Secretary of the Treasury shall transfer to the plans described in subsection (h)(2) such sums as are necessary to pay the following amounts:

“(A) To the Combined Fund (as defined in section 9701(a)(5) of the Internal Revenue Code of 1986 and referred to in this paragraph as the ‘Combined Fund’), the amount that the trustees of the Combined Fund estimate will be expended from premium accounts maintained by the Combined Fund for the fiscal year to provide benefits for beneficiaries who are unassigned beneficiaries solely as a result of the application of section 9706(h)(1) of the Internal Revenue Code of 1986, subject to the following limitations:
“(i) For fiscal year 2008, the amount paid under this subparagraph shall equal—

“(I) the amount described in subparagraph (A); minus

“(II) the amounts required under section 9706(h)(3)(A) of the Internal Revenue Code of 1986.

“(ii) For fiscal year 2009, the amount paid under this subparagraph shall equal—

“(I) the amount described in subparagraph (A); minus

“(II) the amounts required under section 9706(h)(3)(B) of the Internal Revenue Code of 1986.

“(iii) For fiscal year 2010, the amount paid under this subparagraph shall equal—

“(I) the amount described in subparagraph (A); minus

“(II) the amounts required under section 9706(h)(3)(C) of the Internal Revenue Code of 1986.

“(B) On certification by the trustees of any plan described in subsection (h)(2) that the amount available for transfer by the Secretary
pursuant to this section (determined after application of any limitation under subsection (h)(5)) is less than the amount required to be transferred, to the plan the amount necessary to meet the requirement of subsection (h)(2).

“(C) To the Combined Fund, $9,000,000 on October 1, 2007, $9,000,000 on October 1, 2008, and $9,000,000 on October 1, 2009 (which amounts shall not be exceeded) to provide a refund of any premium (as described in section 9704(a) of the Internal Revenue Code of 1986) paid on or before September 7, 2000, to the Combined Fund, plus interest on the premium calculated at the rate of 7.5 percent per year, on a proportional basis and to be paid not later than 60 days after the date on which each payment is received by the Combined Fund, to those signatory operators (to the extent that the Combined Fund has not previously returned the premium amounts to the operators), or any related persons to the operators (as defined in section 9701(c) of the Internal Revenue Code of 1986), or their heirs, successors, or assigns who have been denied the refunds as the result of final judgments or settlements if—
“(i) prior to the date of enactment of this paragraph, the signatory operator (or any related person to the operator)—

“(I) had all of its beneficiary assignments made under section 9706 of the Internal Revenue Code of 1986 voided by the Commissioner of the Social Security Administration; and

“(II) was subject to a final judgment or final settlement of litigation adverse to a claim by the operator that the assignment of beneficiaries under section 9706 of the Internal Revenue Code of 1986 was unconstitutional as applied to the operator; and

“(ii) on or before September 7, 2000, the signatory operator (or any related person to the operator) had paid to the Combined Fund any premium amount that had not been refunded.

“(2) Payments to States and Indian Tribes.—Subject to paragraph (3), out of any funds in the Treasury not otherwise appropriated, the Secretary of the Treasury shall transfer to the Sec-
retary of the Interior for distribution to States and Indian tribes such sums as are necessary to pay amounts described in paragraphs (1)(A) and (2)(A) of section 411(h).

“(3) LIMITATIONS.—

“(A) CAP.—The total amount transferred under this subsection for any fiscal year shall not exceed $490,000,000.

“(B) INSUFFICIENT AMOUNTS.—In a case in which the amount required to be transferred without regard to this paragraph exceeds the maximum annual limitation in subparagraph (A), the Secretary shall adjust the transfers of funds so that—

“(i) each transfer for the fiscal year is a percentage of the amount described;

“(ii) the amount is determined without regard to subsection (h)(5)(A); and

“(iii) the percentage transferred is the same for all transfers made under this subsection for the fiscal year.

“(4) AVAILABILITY OF FUNDS.—Funds shall be transferred under paragraph (1) and (2) beginning in fiscal year 2008 and each fiscal year thereafter, and shall remain available until expended.”.
Section 313. OBJECTIVES OF FUND.

Section 403 of the Surface Mining Control and Reclamation Act of 1977 (30 U.S.C. 1233) is amended—

(1) in subsection (a)—

(A) in paragraph (1)—

(i) by striking “(1) the protection” and inserting the following:

“(1)(A) the protection;”;

(ii) in subparagraph (A) (as designated by clause (i)), by striking “general welfare,”; and

(iii) by adding at the end the following:

“(B) the restoration of land and water resources and the environment that—

“(i) have been degraded by the adverse effects of coal mining practices; and

“(ii) are adjacent to a site that has been or will be remediated under subparagraph (A);”;

(B) in paragraph (2)—

(i) by striking “(2) the protection” and inserting the following:

“(2)(A) the protection”;
safety, and general welfare” and inserting
“health and safety”; and
(iii) by adding at the end the follow-
ing:
“(B) the restoration of land and water re-
sources and the environment that—
“(i) have been degraded by the adverse ef-
effects of coal mining practices; and
“(ii) are adjacent to a site that has been
or will be remediated under subparagraph (A); and”;
(C) in paragraph (3), by striking the semi-
colon at the end and inserting a period; and
(D) by striking paragraphs (4) and (5);
(2) in subsection (b)—
(A) by striking the subsection heading and
inserting “WATER SUPPLY RESTORATION.—”;
and
(B) in paragraph (1), by striking “up to
30 percent of the”; and
(3) in the second sentence of subsection (c), by
inserting “, subject to the approval of the Sec-
retary,” after “amendments”.
SEC. 314. RECLAMATION OF RURAL LAND.

(a) ADMINISTRATION.—Section 406(h) of the Surface Mining Control and Reclamation Act of 1977 (30 U.S.C. 1236(h)) is amended by striking “Soil Conservation Service” and inserting “Natural Resources Conservation Service”.

(b) AUTHORIZATION OF APPROPRIATIONS FOR CARRying OUT RURAL LAND RECLAMATION.—Section 406 of the Surface Mining Control and Reclamation Act of 1977 (30 U.S.C. 1236) is amended by adding at the end the following:

“(i) There are authorized to be appropriated to the Secretary of Agriculture, from amounts in the Treasury other than amounts in the fund, such sums as may be necessary to carry out this section.”.

SEC. 315. LIENS.

Section 408(a) of the Surface Mining Control and Reclamation Act of 1977 (30 U.S.C. 1238) is amended in the last sentence by striking “who owned the surface prior to May 2, 1977, and”.

SEC. 316. CERTIFICATION.

Section 411 of the Surface Mining Control and Reclamation Act of 1977 (30 U.S.C. 1240a) is amended—

(1) in subsection (a)—

(A) by inserting “(1)” before the first sentence; and
(B) by adding at the end the following:

“(2)(A) The Secretary may, on the initiative of the Secretary, make the certification referred to in paragraph (1) on behalf of any State or Indian tribe referred to in paragraph (1) if on the basis of the inventory referred to in section 403(c) all reclamation projects relating to the priorities described in section 403(a) for eligible land and water pursuant to section 404 in the State or tribe have been completed.

“(B) The Secretary shall only make the certification after notice in the Federal Register and opportunity for public comment.”; and

(2) by adding at the end the following:

“(h) PAYMENTS TO STATES AND INDIAN TRIBES.—

“(1) IN GENERAL.—

“(A) PAYMENTS.—

“(i) IN GENERAL.—Notwithstanding section 401(f)(3)(B), from funds referred to in section 402(i)(2), the Secretary shall make payments to States or Indian tribes for the amount due for the aggregate unappropriated amount allocated to the State or Indian tribe under subparagraph (A) or (B) of section 402(g)(1).
“(ii) Conversion as Equivalent Payments.—Amounts allocated under subparagraphs (A) or (B) of section 402(g)(1) shall be reallocated to the allocation established in section 402(g)(5) in amounts equivalent to payments made to States or Indian tribes under this paragraph.

“(B) Amount Due.—In this paragraph, the term ‘amount due’ means the unappropriated amount allocated to a State or Indian tribe before October 1, 2007, under subparagraph (A) or (B) of section 402(g)(1).

“(C) Schedule.—Payments under subparagraph (A) shall be made in 7 equal annual installments, beginning with fiscal year 2008.

“(D) Use of Funds.—

“(i) Certified States and Indian Tribes.—A State or Indian tribe that makes a certification under subsection (a) in which the Secretary concurs shall use any amounts provided under this paragraph for the purposes established by the State legislature or tribal council of the Indian tribe, with priority given for addressing the impacts of mineral development.
“(ii) Uncertified States and Indian Tribes.—A State or Indian tribe that has not made a certification under subsection (a) in which the Secretary has concurred shall use any amounts provided under this paragraph for the purposes described in section 403.

“(2) Subsequent State and Indian Tribe Share for Certified States and Indian Tribes.—

“(A) In general.—Notwithstanding section 401(f)(3)(B), from funds referred to in section 402(i)(2), the Secretary shall pay to each certified State or Indian tribe an amount equal to the sum of the aggregate unappropriated amount allocated on or after October 1, 2007, to the certified State or Indian tribe under subparagraph (A) or (B) of section 402(g)(1).

“(B) Certified State or Indian Tribe Defined.—In this paragraph the term ‘certified State or Indian tribe’ means a State or Indian tribe for which a certification is made under subsection (a) in which the Secretary concurs.
“(3) MANNER OF PAYMENT.—

“(A) In general.—Subject to subparagraph (B), payments to States or Indian tribes under this subsection shall be made without regard to any limitation in section 401(d) and concurrently with payments to States under that section.

“(B) Initial Payments.—The first 3 payments made to any State or Indian tribe shall be reduced to 25 percent, 50 percent, and 75 percent, respectively, of the amounts otherwise required under paragraph (2)(A).

“(C) Installments.—Amounts withheld from the first 3 annual installments as provided under subparagraph (B) shall be paid in 2 equal annual installments beginning with fiscal year 2018.

“(4) Reallocation.—

“(A) In general.—The amount allocated to any State or Indian tribe under subparagraph (A) or (B) of section 402(g)(1) that is paid to the State or Indian tribe as a result of a payment under paragraph (1) or (2) shall be reallocated and available for grants under section 402(g)(5).
“(B) ALLOCATION.—The grants shall be allocated based on the amount of coal historically produced before August 3, 1977, in the same manner as under section 402(g)(5).”.

SEC. 317. REMINING INCENTIVES.

Title IV of the Surface Mining Control and Reclamation Act of 1977 (30 U.S.C. 1231 et seq.) is amended by adding at the following:

“SEC. 415. REMINING INCENTIVES.

“(a) IN GENERAL.—Notwithstanding any other provision of this Act, the Secretary may, after opportunity for public comment, promulgate regulations that describe conditions under which amounts in the fund may be used to provide incentives to promote remining of eligible land under section 404 in a manner that leverages the use of amounts from the fund to achieve more reclamation with respect to the eligible land than would be achieved without the incentives.

“(b) REQUIREMENTS.—Any regulations promulgated under subsection (a) shall specify that the incentives shall apply only if the Secretary determines, with the concurrence of the State regulatory authority referred to in title V, that, without the incentives, the eligible land would not be likely to be remined and reclaimed.

“(c) INCENTIVES.—
“(1) IN GENERAL.—Incentives that may be considered for inclusion in the regulations promulgated under subsection (a) include, but are not limited to—

“(A) a rebate or waiver of the reclamation fees required under section 402(a); and

“(B) the use of amounts in the fund to provide financial assurance for remining operations in lieu of all or a portion of the performance bonds required under section 509.

“(2) LIMITATIONS.—

“(A) USE.—A rebate or waiver under paragraph (1)(A) shall be used only for operations that—

“(i) remove or reprocess abandoned coal mine waste; or

“(ii) conduct remining activities that meet the priorities specified in paragraph (1) or (2) of section 403(a).

“(B) AMOUNT.—The amount of a rebate or waiver provided as an incentive under paragraph (1)(A) to remine or reclaim eligible land shall not exceed the estimated cost of reclaiming the eligible land under this section.”.
SEC. 318. EXTENSION OF LIMITATION ON APPLICATION OF
PROHIBITION ON ISSUANCE OF PERMIT.

Section 510(e) of the Surface Mining Control and Reclamation Act of 1977 (30 U.S.C. 1250(e)) is amended by striking the last sentence.

SEC. 319. TRIBAL REGULATION OF SURFACE COAL MINING
AND RECLAMATION OPERATIONS.

(a) In General.—Section 710 of the Surface Mining Control and Reclamation Act of 1977 (30 U.S.C. 1300) is amended by adding at the end the following:

“(j) Tribal Regulatory Authority.—

“(1) Tribal Regulatory Programs.—

“(A) In General.—Notwithstanding any other provision of law, an Indian tribe may apply for, and obtain the approval of, a tribal program under section 503 regulating in whole or in part surface coal mining and reclamation operations on reservation land under the jurisdiction of the Indian tribe using the procedures of section 504(e).

“(B) References to State.—For purposes of this subsection and the implementation and administration of a tribal program under title V, any reference to a ‘State’ in this Act shall be considered to be a reference to a ‘tribe’.

“(2) Conflicts of Interest.—
“(A) IN GENERAL.—The fact that an individual is a member of an Indian tribe does not in itself constitute a violation of section 201(f).

“(B) EMPLOYEES OF TRIBAL REGULATORY AUTHORITY.—Any employee of a tribal regulatory authority shall not be eligible for a per capita distribution of any proceeds from coal mining operations conducted on Indian reservation lands under this Act.

“(3) SOVEREIGN IMMUNITY.—To receive primary regulatory authority under section 504(e), an Indian tribe shall waive sovereign immunity for purposes of section 520 and paragraph (4).

“(4) JUDICIAL REVIEW.—

“(A) CIVIL ACTIONS.—

“(i) IN GENERAL.—After exhausting all tribal remedies with respect to a civil action arising under a tribal program approved under section 504(e), an interested party may file a petition for judicial review of the civil action in the United States circuit court for the circuit in which the surface coal mining operation named in the petition is located.

“(ii) SCOPE OF REVIEW.—
“(I) QUESTIONS OF LAW.—The United States circuit court shall re-
view de novo any questions of law under clause (i).

“(II) FINDINGS OF FACT.—The United States circuit court shall re-
view findings of fact under clause (i) using a clearly erroneous standard.

“(B) CRIMINAL ACTIONS.—Any criminal action brought under section 518 with respect to surface coal mining or reclamation oper-
ations on Indian reservation lands shall be brought in—

“(i) the United States District Court for the District of Columbia; or

“(ii) the United States district court in which the criminal activity is alleged to have occurred.

“(5) GRANTS.—

“(A) IN GENERAL.—Except as provided in subparagraph (B), grants for developing, ad-
ministering, and enforcing tribal programs ap-
proved in accordance with section 504(e) shall be provided to an Indian tribe in accordance with section 705.
“(B) EXCEPTION.—Notwithstanding sub-
paragraph (A), the Federal share of the costs
of developing, administering, and enforcing an
approved tribal program shall be 100 percent.
“(6) REPORT.—Not later than 18 months after
the date on which a tribal program is approved
under subsection (e) of section 504, the Secretary
shall submit to the appropriate committees of Con-
gress a report, developed in cooperation with the ap-
plicable Indian tribe, on the tribal program that in-
cludes a recommendation of the Secretary on wheth-
er primary regulatory authority under that sub-
section should be expanded to include additional In-
dian lands.”.

(b) CONFORMING AMENDMENT.—Section 710(i) of
the Surface Mining Control and Reclamation Act of 1977
(30 U.S.C. 1300(i)) is amended in the first sentence by
striking “, except” and all that follows through “section
503”.

Subtitle B—Coal Industry Retiree
Health Benefit Act

SEC. 321. CERTAIN RELATED PERSONS AND SUCCESSORS
IN INTEREST RELIEVED OF LIABILITY IF PRE-
MIUMS PREPAID.

(a) COMBINED BENEFIT FUND.—
(1) IN GENERAL.—Section 9704 of the Internal Revenue Code of 1986 (relating to liability of assigned operators) is amended by adding at the end the following new subsection:

“(j) PREPAYMENT OF PREMIUM LIABILITY.—

“(1) IN GENERAL.—If—

“(A) a payment meeting the requirements of paragraph (3) is made to the Combined Fund by or on behalf of—

“(i) any assigned operator to which this subsection applies, or

“(ii) any related person to any assigned operator described in clause (i), and

“(B) the common parent of the controlled group of corporations described in paragraph (2)(B) is jointly and severally liable for any premium under this section which (but for this subsection) would be required to be paid by the assigned operator or related person,

then such common parent (and no other person) shall be liable for such premium.

“(2) ASSIGNED OPERATORS TO WHICH SUB-SECTION APPLIES.—

“(A) IN GENERAL.—This subsection shall apply to any assigned operator if—
“(i) the assigned operator (or a related person to the assigned operator)—

“(I) made contributions to the 1950 UMWA Benefit Plan and the 1974 UMWA Benefit Plan for employment during the period covered by the 1988 agreement; and

“(II) is not a 1988 agreement operator,

“(ii) the assigned operator (and all related persons to the assigned operator) are not actively engaged in the production of coal as of July 1, 2005, and

“(iii) the assigned operator was, as of July 20, 1992, a member of a controlled group of corporations described in subparagraph (B).

“(B) CONTROLLED GROUP OF CORPORATIONS.—A controlled group of corporations is described in this subparagraph if the common parent of such group is a corporation the shares of which are publicly traded on a United States exchange.

“(C) COORDINATION WITH REPEAL OF ASSIGNMENTS.—A person shall not fail to be
treated as an assigned operator to which this subsection applies solely because the person ceases to be an assigned operator by reason of section 9706(h)(1) if the person otherwise meets the requirements of this subsection and is liable for the payment of premiums under section 9706(h)(3).

“(D) CONTROLLED GROUP.—For purposes of this subsection, the term ‘controlled group of corporations’ has the meaning given such term by section 52(a).

“(3) REQUIREMENTS.—A payment meets the requirements of this paragraph if—

“(A) the amount of the payment is not less than the present value of the total premium liability under this chapter with respect to the Combined Fund of the assigned operators or related persons described in paragraph (1) or their assignees, as determined by the operator’s or related person’s enrolled actuary (as defined in section 7701(a)(35)) using actuarial methods and assumptions each of which is reasonable and which are reasonable in the aggregate, as determined by such enrolled actuary;
“(B) such enrolled actuary files with the Secretary of Labor a signed actuarial report containing—

“(i) the date of the actuarial valuation applicable to the report; and

“(ii) a statement by the enrolled actuary signing the report that, to the best of the actuary’s knowledge, the report is complete and accurate and that in the actuary’s opinion the actuarial assumptions used are in the aggregate reasonably related to the experience of the operator and to reasonable expectations; and

“(C) 90 calendar days have elapsed after the report required by subparagraph (B) is filed with the Secretary of Labor, and the Secretary of Labor has not notified the assigned operator in writing that the requirements of this paragraph have not been satisfied.

“(4) USE OF PREPAYMENT.—The Combined Fund shall—

“(A) establish and maintain an account for each assigned operator or related person by, or on whose behalf, a payment described in paragraph (3) was made,
“(B) credit such account with such payment (and any earnings thereon), and

“(C) use all amounts in such account exclusively to pay premiums that would (but for this subsection) be required to be paid by the assigned operator.

Upon termination of the obligations for the premium liability of any assigned operator or related person for which such account is maintained, all funds remaining in such account (and earnings thereon) shall be refunded to such person as may be designated by the common parent described in paragraph (1)(B).”.

(b) INDIVIDUAL EMPLOYER PLANS.—Section 9711(c) of the Internal Revenue Code of 1986 (relating to joint and several liability) is amended to read as follows:

“(c) JOINT AND SEVERAL LIABILITY OF RELATED PERSONS.—

“(1) IN GENERAL.—Except as provided in paragraph (2), each related person of a last signatory operator to which subsection (a) or (b) applies shall be jointly and severally liable with the last signatory operator for the provision of health care coverage described in subsection (a) or (b).
(2) Liability limited if security provided.—If—

"(A) security meeting the requirements of paragraph (3) is provided by or on behalf of—

"(i) any last signatory operator which is an assigned operator described in section 9704(j)(2), or

"(ii) any related person to any last signatory operator described in clause (i), and

"(B) the common parent of the controlled group of corporations described in section 9704(j)(2)(B) is jointly and severally liable for the provision of health care under this section which, but for this paragraph, would be required to be provided by the last signatory operator or related person,

then, as of the date the security is provided, such common parent (and no other person) shall be liable for the provision of health care under this section which the last signatory operator or related person would otherwise be required to provide. Security may be provided under this paragraph without regard to whether a payment was made under section 9704(j).
“(3) SECURITY.—Security meets the requirements of this paragraph if—

“(A) the security—

“(i) is in the form of a bond, letter of credit, or cash escrow,

“(ii) is provided to the trustees of the 1992 UMWA Benefit Plan solely for the purpose of paying premiums for beneficiaries who would be described in section 9712(b)(2)(B) if the requirements of this section were not met by the last signatory operator, and

“(iii) is in an amount equal to 1 year of liability of the last signatory operator under this section, determined by using the average cost of such operator’s liability during the prior 3 calendar years;

“(B) the security is in addition to any other security required under any other provision of this title; and

“(C) the security remains in place for 5 years.

“(4) REFUNDS OF SECURITY.—The remaining amount of any security provided under this sub-
section (and earnings thereon) shall be refunded to
the last signatory operator as of the earlier of—

“(A) the termination of the obligations of
the last signatory operator under this section,
or
“(B) the end of the 5-year period described
in paragraph (4)(C).”.

(c) 1992 UMWA Benefit Plan.—Section
9712(d)(4) of the Internal Revenue Code of 1986 (relating
to joint and several liability) is amended by adding at the
end the following new sentence: “The provisions of section
9711(c)(2) shall apply to any last signatory operator de-
described in such section (without regard to whether security
is provided under such section, a payment is made under
section 9704(j), or both) and if security meeting the re-
quirements of section 9711(c)(3) is provided, the common
parent described in section 9711(c)(2)(B) shall be exclu-
sively responsible for any liability for premiums under this
section which, but for this sentence, would be required to
be paid by the last signatory operator or any related per-
son.”.

(d) Successor in Interest.—Section 9701(c) of
the Internal Revenue Code of 1986 (relating to terms re-
lating to operators) is amended by adding at the end the
following new paragraph:
“(8) Successor in Interest.—

“(A) Safe Harbor.—The term ‘successor in interest’ shall not include any person who—

“(i) is an unrelated person to an eligible seller described in subparagraph (C); and

“(ii) purchases for fair market value assets, or all of the stock, of a related person to such seller, in a bona fide, arm’s-length sale.

“(B) Unrelated Person.—The term ‘unrelated person’ means a purchaser who does not bear a relationship to the eligible seller described in section 267(b).

“(C) Eligible Seller.—For purposes of this paragraph, the term ‘eligible seller’ means an assigned operator described in section 9704(j)(2) or a related person to such assigned operator.”.

(e) Effective Date.—The amendments made by this section shall take effect on the date of the enactment of this Act, except that the amendment made by subsection (d) shall apply to transactions after the date of the enactment of this Act.
SEC. 322. TRANSFERS TO FUNDS; PREMIUM RELIEF.

(a) Combined Fund.—

(1) Federal transfers.—Section 9705(b) of the Internal Revenue Code of 1986 (relating to transfers from Abandoned Mine Reclamation Fund) is amended—

(A) in paragraph (1), by striking “section 402(h)” and inserting “subsections (h) and (i) of section 402”;

(B) by striking paragraph (2) and inserting the following new paragraph:

“(2) Use of Funds.—Any amount transferred under paragraph (1) for any fiscal year shall be used to pay benefits and administrative costs of beneficiaries of the Combined Fund or for such other purposes as are specifically provided in the Acts described in paragraph (1).”; and

(C) by striking “From Abandoned Mine Reclamation Fund”.

(2) Modifications of premiums to reflect federal transfers.—

(A) Elimination of unassigned beneficiaries premium.—Section 9704(d) of such Code (establishing unassigned beneficiaries premium) is amended to read as follows:

“(d) Unassigned Beneficiaries Premium.—
"(1) Plan years ending on or before September 30, 2006.—For plan years ending on or before September 30, 2006, the unassigned beneficiaries premium for any assigned operator shall be equal to the applicable percentage of the product of the per beneficiary premium for the plan year multiplied by the number of eligible beneficiaries who are not assigned under section 9706 to any person for such plan year.

"(2) Plan years beginning on or after October 1, 2006.—

“(A) In general.—For plan years beginning on or after October 1, 2006, subject to subparagraph (B), there shall be no unassigned beneficiaries premium, and benefit costs with respect to eligible beneficiaries who are not assigned under section 9706 to any person for any such plan year shall be paid from amounts transferred under section 9705(b).

“(B) Inadequate transfers.—If, for any plan year beginning on or after October 1, 2006, the amounts transferred under section 9705(b) are less than the amounts required to be transferred to the Combined Fund under subsection (h)(2)(A) or (i) of section 402 of the
Surface Mining Control and Reclamation Act of 1977 (30 U.S.C. 1232)), then the unassigned beneficiaries premium for any assigned operator shall be equal to the operator’s applicable percentage of the amount required to be so transferred which was not so transferred.”.

(B) PREMIUM ACCOUNTS.—

(i) CREDITING OF ACCOUNTS.—Section 9704(e)(1) of such Code (relating to premium accounts; adjustments) is amended by inserting “and amounts transferred under section 9705(b)” after “premiums received”.

(ii) SURPLUSES ATTRIBUTABLE TO PUBLIC FUNDING.—Section 9704(e)(3)(A) of such Code is amended by adding at the end the following new sentence: “Amounts credited to an account from amounts transferred under section 9705(b) shall not be taken into account in determining whether there is a surplus in the account for purposes of this paragraph.”

(C) APPLICABLE PERCENTAGE.—Section 9704(f)(2) of such Code (relating to annual ad-
justments) is amended by adding at the end the following new subparagraph:

“(C) In the case of plan years beginning on or after October 1, 2007, the total number of assigned eligible beneficiaries shall be reduced by the eligible beneficiaries whose assignments have been revoked under section 9706(h).”.

(3) ASSIGNMENTS AND REASSIGNMENT.—Section 9706 of the Internal Revenue Code of 1986 (relating to assignment of eligible beneficiaries) is amended by adding at the end the following:

“(h) ASSIGNMENTS AS OF OCTOBER 1, 2007.—

“(1) IN GENERAL.—Subject to the premium obligation set forth in paragraph (3), the Commissioner of Social Security shall—

“(A) revoke all assignments to persons other than 1988 agreement operators for purposes of assessing premiums for plan years beginning on and after October 1, 2007; and

“(B) make no further assignments to persons other than 1988 agreement operators, except that no individual who becomes an unassigned beneficiary by reason of subparagraph
(A) may be assigned to a 1988 agreement operator.

“(2) REASSIGNMENT UPON PURCHASE.—This subsection shall not be construed to prohibit the reassignment under subsection (b)(2) of an eligible beneficiary.

“(3) LIABILITY OF PERSONS DURING THREE FISCAL YEARS BEGINNING ON AND AFTER OCTOBER 1, 2007.—In the case of each of the fiscal years beginning on October 1, 2007, 2008, and 2009, each person other than a 1988 agreement operator shall pay to the Combined Fund the following percentage of the amount of annual premiums that such person would otherwise be required to pay under section 9704(a), determined on the basis of assignments in effect without regard to the revocation of assignments under paragraph (1)(A):

“(A) For the fiscal year beginning on October 1, 2007, 55 percent.

“(B) For the fiscal year beginning on October 1, 2008, 40 percent.

“(C) For the fiscal year beginning on October 1, 2009, 15 percent.”.

(4) EFFECTIVE DATE.—The amendments made by this subsection shall apply to plan years of the

(b) 1992 UMWA Benefit and Other Plans.—

(1) Transfers to Plans.—Section 9712(a) of the Internal Revenue Code of 1986 (relating to the establishment and coverage of the 1992 UMWA Benefit Plan) is amended by adding at the end the following:

“(3) Transfers under other federal statutes.—

“(A) In General.—The 1992 UMWA Benefit Plan shall include any amount transferred to the plan under subsections (h) and (i) of section 402 of the Surface Mining Control and Reclamation Act of 1977 (30 U.S.C. 1232).

“(B) Use of Funds.—Any amount transferred under subparagraph (A) for any fiscal year shall be used to provide the health benefits described in subsection (c) with respect to any beneficiary for whom no monthly per beneficiary premium is paid pursuant to paragraph (1)(A) or (3) of subsection (d).

“(4) Special Rule for 1993 Plan.—

“(A) In General.—The plan described in section 402(h)(2)(C) of the Surface Mining
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Control and Reclamation Act of 1977 (30 U.S.C. 1232(h)(2)(C)) shall include any amount transferred to the plan under subsections (h) and (i) of the Surface Mining Control and Reclamation Act of 1977 (30 U.S.C. 1232).

“(B) USE OF FUNDS.—Any amount transferred under subparagraph (A) for any fiscal year shall be used to provide the health benefits described in section 402(h)(2)(C)(i) of the Surface Mining Control and Reclamation Act of 1977 (30 U.S.C. 1232(h)(2)(C)) to individuals described in section 402(h)(2)(C) of such Act (30 U.S.C. 1232(h)(2)(C)).”.

(2) PREMIUM ADJUSTMENTS.—

(A) IN GENERAL.—Section 9712(d)(1) of such Code (relating to guarantee of benefits) is amended to read as follows:

“(1) IN GENERAL.—All 1988 last signatory operators shall be responsible for financing the benefits described in subsection (e) by meeting the following requirements in accordance with the contribution requirements established in the 1992 UMWA Benefit Plan:
“(A) The payment of a monthly per beneficiary premium by each 1988 last signatory operator for each eligible beneficiary of such operator who is described in subsection (b)(2) and who is receiving benefits under the 1992 UMWA benefit plan.

“(B) The provision of a security (in the form of a bond, letter of credit, or cash escrow) in an amount equal to a portion of the projected future cost to the 1992 UMWA Benefit Plan of providing health benefits for eligible and potentially eligible beneficiaries attributable to the 1988 last signatory operator.

“(C) If the amounts transferred under subsection (a)(3) are less than the amounts required to be transferred to the 1992 UMWA Benefit Plan under subsections (h) and (i) of section 402 of the Surface Mining Control and Reclamation Act of 1977 (30 U.S.C. 1232), the payment of an additional backstop premium by each 1988 last signatory operator which is equal to such operator’s share of the amounts required to be so transferred but which were not so transferred, determined on the basis of
the number of eligible and potentially eligible beneficiaries attributable to the operator.”.

(B) CONFORMING AMENDMENTS.—Section 9712(d) of such Code is amended—

(i) in paragraph (2)(B), by striking “prefunding” and inserting “backstop”, and

(ii) in paragraph (3), by striking “paragraph (1)(B)” and inserting “paragraph (1) (A)”.

(C) EFFECTIVE DATE.—The amendments made by this paragraph shall apply to fiscal years beginning on or after October 1, 2010.

SEC. 323. OTHER PROVISIONS.

(a) BOARD OF TRUSTEES.—Section 9702(b) of the Internal Revenue Code of 1986 (relating to board of trustees of the Combined Fund) is amended to read as follows:

“(b) BOARD OF TRUSTEES.—

“(1) IN GENERAL.—For purposes of subsection (a), the board of trustees for the Combined Fund shall be appointed as follows:

“(A) 2 individuals who represent employers in the coal mining industry shall be designated by the BCOA;
“(B) 2 individuals designated by the United Mine Workers of America; and
“(C) 3 individuals selected by the individuals appointed under subparagraphs (A) and (B).

“(2) SUCCESSOR TRUSTEES.—Any successor trustee shall be appointed in the same manner as the trustee being succeeded. The plan establishing the Combined Fund shall provide for the removal of trustees.

“(3) SPECIAL RULE.—If the BCOA ceases to exist, any trustee or successor under paragraph (1)(A) shall be designated by the 3 employers who were members of the BCOA on the enactment date and who have been assigned the greatest number of eligible beneficiaries under section 9706.”.

(b) ENFORCEMENT OF OBLIGATIONS.—

(1) FAILURE TO PAY PREMIUMS.—Section 9707(a) of the Internal Revenue Code of 1986 is amended to read as follows:

“(a) FAILURES TO PAY.—

“(1) PREMIUMS FOR ELIGIBLE BENEFICIARIES.—There is hereby imposed a penalty on the failure of any assigned operator to pay any pre-
mium required to be paid under section 9704 with respect to any eligible beneficiary.

“(2) CONTRIBUTIONS REQUIRED UNDER THE MINING LAWS.—There is hereby imposed a penalty on the failure of any person to make a contribution required under section 402(h)(5)(B)(ii) of the Surface Mining Control and Reclamation Act of 1977 to a plan referred to in section 402(h)(2)(C) of such Act. For purposes of applying this section, each such required monthly contribution for the hours worked of any individual shall be treated as if it were a premium required to be paid under section 9704 with respect to an eligible beneficiary.”.

(2) CIVIL ENFORCEMENT.—Section 9721 of such Code is amended to read as follows:

“SEC. 9721. CIVIL ENFORCEMENT.

“The provisions of section 4301 of the Employee Retirement Income Security Act of 1974 shall apply, in the same manner as any claim arising out of an obligation to pay withdrawal liability under subtitle E of title IV of such Act, to any claim—

“(1) arising out of an obligation to pay any amount required to be paid by this chapter; or

“(2) arising out of an obligation to pay any amount required by section 402(h)(5)(B)(ii) of the

**TITLE IV—INCREASE IN MINIMUM WAGE**

**SEC. 401. MINIMUM WAGE.**

Section 6(a)(1) of the Fair Labor Standards Act of 1938 (29 U.S.C. 206(a)(1)) is amended to read as follows:

“(1) except as otherwise provided in this section, not less than—

“(A) $5.15 an hour beginning September 1, 1997;

“(B) $5.85 an hour, beginning on January 1, 2007;

“(C) $6.55 an hour, beginning June 1, 2008; and

“(D) $7.25 an hour, beginning June 1, 2009;”.

**SEC. 402. TIPPED WAGE FAIRNESS.**

Section 3(m) of the Fair Labor Standards Act of 1938 (29 U.S.C. 203(m)) is amended—

(1) by redesignating paragraphs (1) and (2) as subparagraphs (A) and (B), respectively;

(2) by striking “‘Wage’ paid to any employee” and inserting “‘(1) ‘Wage’ paid to any employee’”;
(3) in subparagraph (B) (as so redesignated), by inserting before the period the following: “: Provided, That the tips shall not be included as part of the wage paid to an employee to the extent that they are excluded therefrom under the terms of a bona fide collective bargaining agreement applicable to the particular employee”; and

(4) by adding at the end of the following:

“(2) Notwithstanding any other provision of this Act, any State or political subdivision of a State which on or after the date of enactment of the Estate Tax and Extension of Tax Relief Act of 2006 excludes all of a tipped employee’s tips from being considered as wages in determining if such tipped employee has been paid the applicable minimum wage rate, may not establish or enforce the minimum wage rate provisions of such law, ordinance, regulation, or order in such State or political subdivision thereof with respect to tipped employees unless such law, ordinance, regulation, or order is revised or amended to permit such employee to be paid a wage by the employee’s employer in an amount not less than an amount equal to—

“(A) the cash wage paid such employee which is required under such law, ordinance, regulation, or
order on the date of enactment of the Estate Tax and Extension of Tax Relief Act of 2006; and

“(B) an additional amount on account of tips received by such employee which amount is equal to the difference between the cash wage described in subparagraph (A) and the minimum wage rate in effect under such law, ordinance, regulation, or order, or the minimum wage rate in effect under section 6(a), whichever is higher.”.