

DECEMBER 15, 2015

RULES COMMITTEE PRINT 114-40

**TEXT OF HOUSE AMENDMENT #2 TO THE SENATE
AMENDMENT TO H.R. 2029, MILITARY CON-
STRUCTION AND VETERANS AFFAIRS AND RE-
LATED AGENCIES APPROPRIATIONS ACT,
2016**

**[Showing the text of the Protecting Americans from Tax
Hikes Act of 2015.]**

At the end of House amendment #1, insert the fol-
lowing:

**1 DIVISION Q—PROTECTING
2 AMERICANS FROM TAX HIKES
3 ACT OF 2015**

4 SECTION 1. SHORT TITLE, ETC.

5 (a) SHORT TITLE.—This division may be cited as the
6 “Protecting Americans from Tax Hikes Act of 2015”.

7 (b) AMENDMENT OF 1986 CODE.—Except as other-
8 wise expressly provided, whenever in this division an
9 amendment or repeal is expressed in terms of an amend-
10 ment to, or repeal of, a section or other provision, the ref-
11 erence shall be considered to be made to a section or other
12 provision of the Internal Revenue Code of 1986.

1 (c) TABLE OF CONTENTS.—The table of contents for
2 this division is as follows:

DIVISION Q—PROTECTING AMERICANS FROM TAX HIKES ACT OF
2015

Sec. 1. Short title, etc.

TITLE I—EXTENDERS

Subtitle A—Permanent Extensions

PART 1—TAX RELIEF FOR FAMILIES AND INDIVIDUALS

- Sec. 101. Enhanced child tax credit made permanent.
- Sec. 102. Enhanced American opportunity tax credit made permanent.
- Sec. 103. Enhanced earned income tax credit made permanent.
- Sec. 104. Extension and modification of deduction for certain expenses of elementary and secondary school teachers.
- Sec. 105. Extension of parity for exclusion from income for employer-provided mass transit and parking benefits.
- Sec. 106. Extension of deduction of State and local general sales taxes.

PART 2—INCENTIVES FOR CHARITABLE GIVING

- Sec. 111. Extension and modification of special rule for contributions of capital gain real property made for conservation purposes.
- Sec. 112. Extension of tax-free distributions from individual retirement plans for charitable purposes.
- Sec. 113. Extension and modification of charitable deduction for contributions of food inventory.
- Sec. 114. Extension of modification of tax treatment of certain payments to controlling exempt organizations.
- Sec. 115. Extension of basis adjustment to stock of S corporations making charitable contributions of property.

PART 3—INCENTIVES FOR GROWTH, JOBS, INVESTMENT, AND INNOVATION

- Sec. 121. Extension and modification of research credit.
- Sec. 122. Extension and modification of employer wage credit for employees who are active duty members of the uniformed services.
- Sec. 123. Extension of 15-year straight-line cost recovery for qualified leasehold improvements, qualified restaurant buildings and improvements, and qualified retail improvements.
- Sec. 124. Extension and modification of increased expensing limitations and treatment of certain real property as section 179 property.
- Sec. 125. Extension of treatment of certain dividends of regulated investment companies.
- Sec. 126. Extension of exclusion of 100 percent of gain on certain small business stock.
- Sec. 127. Extension of reduction in S-corporation recognition period for built-in gains tax.
- Sec. 128. Extension of subpart F exception for active financing income.

PART 4—INCENTIVES FOR REAL ESTATE INVESTMENT

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- Sec. 131. Extension of minimum low-income housing tax credit rate for non-Federally subsidized buildings.
- Sec. 132. Extension of military housing allowance exclusion for determining whether a tenant in certain counties is low-income.
- Sec. 133. Extension of RIC qualified investment entity treatment under FIRPTA.

Subtitle B—Extensions Through 2019

- Sec. 141. Extension of new markets tax credit.
- Sec. 142. Extension and modification of work opportunity tax credit.
- Sec. 143. Extension and modification of bonus depreciation.
- Sec. 144. Extension of look-thru treatment of payments between related controlled foreign corporations under foreign personal holding company rules.

Subtitle C—Extensions Through 2016

PART 1—TAX RELIEF FOR FAMILIES AND INDIVIDUALS

- Sec. 151. Extension and modification of exclusion from gross income of discharge of qualified principal residence indebtedness.
- Sec. 152. Extension of mortgage insurance premiums treated as qualified residence interest.
- Sec. 153. Extension of above-the-line deduction for qualified tuition and related expenses.

PART 2—INCENTIVES FOR GROWTH, JOBS, INVESTMENT, AND INNOVATION

- Sec. 161. Extension of Indian employment tax credit.
- Sec. 162. Extension and modification of railroad track maintenance credit.
- Sec. 163. Extension of mine rescue team training credit.
- Sec. 164. Extension of qualified zone academy bonds.
- Sec. 165. Extension of classification of certain race horses as 3-year property.
- Sec. 166. Extension of 7-year recovery period for motorsports entertainment complexes.
- Sec. 167. Extension and modification of accelerated depreciation for business property on an Indian reservation.
- Sec. 168. Extension of election to expense mine safety equipment.
- Sec. 169. Extension of special expensing rules for certain film and television productions; special expensing for live theatrical productions.
- Sec. 170. Extension of deduction allowable with respect to income attributable to domestic production activities in Puerto Rico.
- Sec. 171. Extension and modification of empowerment zone tax incentives.
- Sec. 172. Extension of temporary increase in limit on cover over of rum excise taxes to Puerto Rico and the Virgin Islands.
- Sec. 173. Extension of American Samoa economic development credit.
- Sec. 174. Moratorium on medical device excise tax.

PART 3—INCENTIVES FOR ENERGY PRODUCTION AND CONSERVATION

- Sec. 181. Extension and modification of credit for nonbusiness energy property.
- Sec. 182. Extension of credit for alternative fuel vehicle refueling property.
- Sec. 183. Extension of credit for 2-wheeled plug-in electric vehicles.
- Sec. 184. Extension of second generation biofuel producer credit.
- Sec. 185. Extension of biodiesel and renewable diesel incentives.

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- Sec. 186. Extension and modification of production credit for Indian coal facilities.
- Sec. 187. Extension of credits with respect to facilities producing energy from certain renewable resources.
- Sec. 188. Extension of credit for energy-efficient new homes.
- Sec. 189. Extension of special allowance for second generation biofuel plant property.
- Sec. 190. Extension of energy efficient commercial buildings deduction.
- Sec. 191. Extension of special rule for sales or dispositions to implement FERC or State electric restructuring policy for qualified electric utilities.
- Sec. 192. Extension of excise tax credits relating to alternative fuels.
- Sec. 193. Extension of credit for new qualified fuel cell motor vehicles.

TITLE II—PROGRAM INTEGRITY

- Sec. 201. Modification of filing dates of returns and statements relating to employee wage information and nonemployee compensation to improve compliance.
- Sec. 202. Safe harbor for de minimis errors on information returns and payee statements.
- Sec. 203. Requirements for the issuance of ITINs.
- Sec. 204. Prevention of retroactive claims of earned income credit after issuance of social security number.
- Sec. 205. Prevention of retroactive claims of child tax credit.
- Sec. 206. Prevention of retroactive claims of American opportunity tax credit.
- Sec. 207. Procedures to reduce improper claims.
- Sec. 208. Restrictions on taxpayers who improperly claimed credits in prior year.
- Sec. 209. Treatment of credits for purposes of certain penalties.
- Sec. 210. Increase the penalty applicable to paid tax preparers who engage in willful or reckless conduct.
- Sec. 211. Employer identification number required for American opportunity tax credit.
- Sec. 212. Higher education information reporting only to include qualified tuition and related expenses actually paid.

TITLE III—MISCELLANEOUS PROVISIONS

Subtitle A—Family Tax Relief

- Sec. 301. Exclusion for amounts received under the Work Colleges Program.
- Sec. 302. Improvements to section 529 accounts.
- Sec. 303. Elimination of residency requirement for qualified ABLE programs.
- Sec. 304. Exclusion for wrongfully incarcerated individuals.
- Sec. 305. Clarification of special rule for certain governmental plans.
- Sec. 306. Rollovers permitted from other retirement plans into simple retirement accounts.
- Sec. 307. Technical amendment relating to rollover of certain airline payment amounts.
- Sec. 308. Treatment of early retirement distributions for nuclear materials couriers, United States Capitol Police, Supreme Court Police, and diplomatic security special agents.
- Sec. 309. Prevention of extension of tax collection period for members of the Armed Forces who are hospitalized as a result of combat zone injuries.

Subtitle B—Real Estate Investment Trusts

- Sec. 311. Restriction on tax-free spinoffs involving REITs.
- Sec. 312. Reduction in percentage limitation on assets of REIT which may be taxable REIT subsidiaries.
- Sec. 313. Prohibited transaction safe harbors.
- Sec. 314. Repeal of preferential dividend rule for publicly offered REITs.
- Sec. 315. Authority for alternative remedies to address certain REIT distribution failures.
- Sec. 316. Limitations on designation of dividends by REITs.
- Sec. 317. Debt instruments of publicly offered REITs and mortgages treated as real estate assets.
- Sec. 318. Asset and income test clarification regarding ancillary personal property.
- Sec. 319. Hedging provisions.
- Sec. 320. Modification of REIT earnings and profits calculation to avoid duplicate taxation.
- Sec. 321. Treatment of certain services provided by taxable REIT subsidiaries.
- Sec. 322. Exception from FIRPTA for certain stock of REITs.
- Sec. 323. Exception for interests held by foreign retirement or pension funds.
- Sec. 324. Increase in rate of withholding of tax on dispositions of United States real property interests.
- Sec. 325. Interests in RICs and REITs not excluded from definition of United States real property interests.
- Sec. 326. Dividends derived from RICs and REITs ineligible for deduction for United States source portion of dividends from certain foreign corporations.

Subtitle C—Additional Provisions

- Sec. 331. Deductibility of charitable contributions to agricultural research organizations.
- Sec. 332. Removal of bond requirements and extending filing periods for certain taxpayers with limited excise tax liability.
- Sec. 333. Modifications to alternative tax for certain small insurance companies.
- Sec. 334. Treatment of timber gains.
- Sec. 335. Modification of definition of hard cider.
- Sec. 336. Church plan clarification.

Subtitle D—Revenue Provisions

- Sec. 341. Updated ASHRAE standards for energy efficient commercial buildings deduction.
- Sec. 342. Excise tax credit equivalency for liquified petroleum gas and liquified natural gas.
- Sec. 343. Exclusion from gross income of certain clean coal power grants to non-corporate taxpayers.
- Sec. 344. Clarification of valuation rule for early termination of certain charitable remainder unitrusts.
- Sec. 345. Prevention of transfer of certain losses from tax indifferent parties.
- Sec. 346. Treatment of certain persons as employers with respect to motion picture projects.

TITLE IV—TAX ADMINISTRATION

Subtitle A—Internal Revenue Service Reforms

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- Sec. 401. Duty to ensure that Internal Revenue Service employees are familiar with and act in accord with certain taxpayer rights.
- Sec. 402. IRS employees prohibited from using personal email accounts for official business.
- Sec. 403. Release of information regarding the status of certain investigations.
- Sec. 404. Administrative appeal relating to adverse determinations of tax-exempt status of certain organizations.
- Sec. 405. Organizations required to notify Secretary of intent to operate under 501(c)(4).
- Sec. 406. Declaratory judgments for 501(c)(4) and other exempt organizations.
- Sec. 407. Termination of employment of Internal Revenue Service employees for taking official actions for political purposes.
- Sec. 408. Gift tax not to apply to contributions to certain exempt organizations.
- Sec. 409. Extend Internal Revenue Service authority to require truncated Social Security numbers on Form W-2.
- Sec. 410. Clarification of enrolled agent credentials.
- Sec. 411. Partnership audit rules.

Subtitle B—United States Tax Court

PART 1—TAXPAYER ACCESS TO UNITED STATES TAX COURT

- Sec. 421. Filing period for interest abatement cases.
- Sec. 422. Small tax case election for interest abatement cases.
- Sec. 423. Venue for appeal of spousal relief and collection cases.
- Sec. 424. Suspension of running of period for filing petition of spousal relief and collection cases.
- Sec. 425. Application of Federal rules of evidence.

PART 2—UNITED STATES TAX COURT ADMINISTRATION

- Sec. 431. Judicial conduct and disability procedures.
- Sec. 432. Administration, judicial conference, and fees.

PART 3—CLARIFICATION RELATING TO UNITED STATES TAX COURT

- Sec. 441. Clarification relating to United States Tax Court.

TITLE V—TRADE-RELATED PROVISIONS

- Sec. 501. Modification of effective date of provisions relating to tariff classification of recreational performance outerwear.
- Sec. 502. Agreement by Asia-Pacific Economic Cooperation members to reduce rates of duty on certain environmental goods.

TITLE VI—BUDGETARY EFFECTS

- Sec. 601. Budgetary effects.

1 **TITLE I—EXTENDERS**
2 **Subtitle A—Permanent Extensions**
3 **PART 1—TAX RELIEF FOR FAMILIES AND**
4 **INDIVIDUALS**

5 **SEC. 101. ENHANCED CHILD TAX CREDIT MADE PERMA-**
6 **NENT.**

7 (a) IN GENERAL.—Section 24(d)(1)(B)(i) is amend-
8 ed by striking “\$10,000” and inserting “\$3,000”.

9 (b) CONFORMING AMENDMENT.—Section 24(d) is
10 amended by striking paragraphs (3) and (4).

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

14 **SEC. 102. ENHANCED AMERICAN OPPORTUNITY TAX CRED-**
15 **IT MADE PERMANENT.**

16 (a) IN GENERAL.—Section 25A(i) is amended by
17 striking “and before 2018”.

18 (b) TREATMENT OF POSSESSIONS.—Section
19 1004(c)(1) of division B of the American Recovery and
20 Reinvestment Tax Act of 2009 by striking “and before
21 2018” each place it appears.

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

1 **SEC. 103. ENHANCED EARNED INCOME TAX CREDIT MADE**
 2 **PERMANENT.**

3 (a) INCREASE IN CREDIT PERCENTAGE FOR 3 OR
 4 MORE QUALIFYING CHILDREN MADE PERMANENT.—Sec-
 5 tion 32(b)(1) is amended to read as follows:

6 “(1) PERCENTAGES.—The credit percentage
 7 and the phaseout percentage shall be determined as
 8 follows:

“In the case of an eligible individual with:	The credit percentage is:	The phaseout percentage is:
1 qualifying child	34	15.98
2 qualifying children	40	21.06
3 or more qualifying children	45	21.06
No qualifying children	7.65	7.65”.

9 (b) REDUCTION OF MARRIAGE PENALTY MADE PER-
 10 MANENT.—

11 (1) IN GENERAL.—Section 32(b)(2)(B) is
 12 amended to read as follows:

13 “(B) JOINT RETURNS.—

14 “(i) IN GENERAL.—In the case of a
 15 joint return filed by an eligible individual
 16 and such individual’s spouse, the phaseout
 17 amount determined under subparagraph
 18 (A) shall be increased by \$5,000.

19 “(ii) INFLATION ADJUSTMENT.—In
 20 the case of any taxable year beginning
 21 after 2015, the \$5,000 amount in clause

1 (i) shall be increased by an amount equal
2 to—

3 “(I) such dollar amount, multi-
4 plied by

5 “(II) the cost of living adjust-
6 ment determined under section 1(f)(3)
7 for the calendar year in which the tax-
8 able year begins determined by sub-
9 stituting ‘calendar year 2008’ for ‘cal-
10 endar year 1992’ in subparagraph (B)
11 thereof.

12 “(iii) ROUNDING.—Subparagraph (A)
13 of subsection (j)(2) shall apply after taking
14 into account any increase under clause
15 (ii).”.

16 (c) CONFORMING AMENDMENT.—Section 32(b) is
17 amended by striking paragraph (3).

18 (d) EFFECTIVE DATE.—The amendments made by
19 this section shall apply to taxable years beginning after
20 December 31, 2015.

21 **SEC. 104. EXTENSION AND MODIFICATION OF DEDUCTION**
22 **FOR CERTAIN EXPENSES OF ELEMENTARY**
23 **AND SECONDARY SCHOOL TEACHERS.**

24 (a) DEDUCTION MADE PERMANENT.—Section
25 62(a)(2)(D) is amended by striking “In the case of taxable

1 years beginning during 2002, 2003, 2004, 2005, 2006,
2 2007, 2008, 2009, 2010, 2011, 2012, 2013, or 2014, the
3 deductions” and inserting “The deductions”.

4 (b) INFLATION ADJUSTMENT.—Section 62(d) is
5 amended by adding at the end the following new para-
6 graph:

7 “(3) INFLATION ADJUSTMENT.—In the case of
8 any taxable year beginning after 2015, the \$250
9 amount in subsection (a)(2)(D) shall be increased by
10 an amount equal to—

11 “(A) such dollar amount, multiplied by

12 “(B) the cost-of-living adjustment deter-
13 mined under section 1(f)(3) for the calendar
14 year in which the taxable year begins, deter-
15 mined by substituting ‘calendar year 2014’ for
16 ‘calendar year 1992’ in subparagraph (B)
17 thereof.

18 Any increase determined under the preceding sen-
19 tence shall be rounded to the nearest multiple of
20 \$50.”.

21 (c) PROFESSIONAL DEVELOPMENT EXPENSES.—Sec-
22 tion 62(a)(2)(D) is amended—

23 (1) by striking “educator in connection” and all
24 that follows and inserting “educator—”, and

25 (2) by inserting at the end the following:

1 “(i) by reason of the participation of
2 the educator in professional development
3 courses related to the curriculum in which
4 the educator provides instruction or to the
5 students for which the educator provides
6 instruction, and

7 “(ii) in connection with books, sup-
8 plies (other than nonathletic supplies for
9 courses of instruction in health or physical
10 education), computer equipment (including
11 related software and services) and other
12 equipment, and supplementary materials
13 used by the eligible educator in the class-
14 room.”.

15 (d) EFFECTIVE DATES.—

16 (1) EXTENSION.—The amendment made by
17 subsection (a) shall apply to taxable years beginning
18 after December 31, 2014.

19 (2) MODIFICATIONS.—The amendments made
20 by subsections (b) and (c) shall apply to taxable
21 years beginning after December 31, 2015.

1 **SEC. 105. EXTENSION OF PARITY FOR EXCLUSION FROM IN-**
2 **COME FOR EMPLOYER-PROVIDED MASS**
3 **TRANSIT AND PARKING BENEFITS.**

4 (a) MASS TRANSIT AND PARKING PARITY.—Section
5 132(f)(2) is amended—

6 (1) by striking “\$100” in subparagraph (A)
7 and inserting “\$175”, and

8 (2) by striking the last sentence.

9 (b) EFFECTIVE DATE.—The amendments made by
10 this section shall apply to months after December 31,
11 2014.

12 **SEC. 106. EXTENSION OF DEDUCTION OF STATE AND LOCAL**
13 **GENERAL SALES TAXES.**

14 (a) IN GENERAL.—Section 164(b)(5) is amended by
15 striking subparagraph (I).

16 (b) EFFECTIVE DATE.—The amendment made by
17 this section shall apply to taxable years beginning after
18 December 31, 2014.

19 **PART 2—INCENTIVES FOR CHARITABLE GIVING**

20 **SEC. 111. EXTENSION AND MODIFICATION OF SPECIAL**
21 **RULE FOR CONTRIBUTIONS OF CAPITAL**
22 **GAIN REAL PROPERTY MADE FOR CONSERVA-**
23 **TION PURPOSES.**

24 (a) MADE PERMANENT.—

25 (1) INDIVIDUALS.—Section 170(b)(1)(E) is
26 amended by striking clause (vi).

1 (2) CORPORATIONS.—Section 170(b)(2)(B) is
2 amended by striking clause (iii).

3 (b) CONTRIBUTIONS OF CAPITAL GAIN REAL PROP-
4 ERTY MADE FOR CONSERVATION PURPOSES BY NATIVE
5 CORPORATIONS.—

6 (1) IN GENERAL.—Section 170(b)(2) is amend-
7 ed by redesignating subparagraph (C) as subpara-
8 graph (D), and by inserting after subparagraph (B)
9 the following new subparagraph:

10 “(C) QUALIFIED CONSERVATION CON-
11 TRIBUTIONS BY CERTAIN NATIVE CORPORA-
12 TIONS.—

13 “(i) IN GENERAL.—Any qualified con-
14 servation contribution (as defined in sub-
15 section (h)(1)) which—

16 “(I) is made by a Native Cor-
17 poration, and

18 “(II) is a contribution of prop-
19 erty which was land conveyed under
20 the Alaska Native Claims Settlement
21 Act,

22 shall be allowed to the extent that the ag-
23 gregate amount of such contributions does
24 not exceed the excess of the taxpayer’s tax-
25 able income over the amount of charitable

1 contributions allowable under subpara-
2 graph (A).

3 “(ii) CARRYOVER.—If the aggregate
4 amount of contributions described in clause
5 (i) exceeds the limitation of clause (i), such
6 excess shall be treated (in a manner con-
7 sistent with the rules of subsection (d)(2))
8 as a charitable contribution to which clause
9 (i) applies in each of the 15 succeeding
10 taxable years in order of time.

11 “(iii) NATIVE CORPORATION.—For
12 purposes of this subparagraph, the term
13 ‘Native Corporation’ has the meaning
14 given such term by section 3(m) of the
15 Alaska Native Claims Settlement Act.”.

16 (2) CONFORMING AMENDMENTS.—

17 (A) Section 170(b)(2)(A) is amended by
18 striking “subparagraph (B) applies” and insert-
19 ing “subparagraph (B) or (C) applies”.

20 (B) Section 170(b)(2)(B)(ii) is amended by
21 striking “15 succeeding years” and inserting
22 “15 succeeding taxable years”.

23 (3) VALID EXISTING RIGHTS PRESERVED.—

24 Nothing in this subsection (or any amendment made
25 by this subsection) shall be construed to modify the

1 existing property rights validly conveyed to Native
2 Corporations (within the meaning of section 3(m) of
3 the Alaska Native Claims Settlement Act) under
4 such Act.

5 (c) EFFECTIVE DATES.—

6 (1) EXTENSION.—The amendments made by
7 subsection (a) shall apply to contributions made in
8 taxable years beginning after December 31, 2014.

9 (2) MODIFICATION.—The amendments made by
10 subsection (b) shall apply to contributions made in
11 taxable years beginning after December 31, 2015.

12 **SEC. 112. EXTENSION OF TAX-FREE DISTRIBUTIONS FROM**
13 **INDIVIDUAL RETIREMENT PLANS FOR CHARITABLE**
14 **PURPOSES.**

15 (a) IN GENERAL.—Section 408(d)(8) is amended by
16 striking subparagraph (F).

17 (b) EFFECTIVE DATE.—The amendment made by
18 this section shall apply to distributions made in taxable
19 years beginning after December 31, 2014.

20 **SEC. 113. EXTENSION AND MODIFICATION OF CHARITABLE**
21 **DEDUCTION FOR CONTRIBUTIONS OF FOOD**
22 **INVENTORY.**

23 (a) PERMANENT EXTENSION.—Section 170(e)(3)(C)
24 is amended by striking clause (iv).

1 (b) MODIFICATIONS.—Section 170(e)(3)(C), as
2 amended by subsection (a), is amended by striking clause
3 (ii), by redesignating clause (iii) as clause (vi), and by in-
4 serting after clause (i) the following new clauses:

5 “(ii) LIMITATION.—The aggregate
6 amount of such contributions for any tax-
7 able year which may be taken into account
8 under this section shall not exceed—

9 “(I) in the case of any taxpayer
10 other than a C corporation, 15 per-
11 cent of the taxpayer’s aggregate net
12 income for such taxable year from all
13 trades or businesses from which such
14 contributions were made for such
15 year, computed without regard to this
16 section, and

17 “(II) in the case of a C corpora-
18 tion, 15 percent of taxable income (as
19 defined in subsection (b)(2)(D)).

20 “(iii) RULES RELATED TO LIMITA-
21 TION.—

22 “(I) CARRYOVER.—If such aggre-
23 gate amount exceeds the limitation
24 imposed under clause (ii), such excess
25 shall be treated (in a manner con-

1 sistent with the rules of subsection
2 (d)) as a charitable contribution de-
3 scribed in clause (i) in each of the 5
4 succeeding taxable years in order of
5 time.

6 “(II) COORDINATION WITH OVER-
7 ALL CORPORATE LIMITATION.—In the
8 case of any charitable contribution
9 which is allowable after the applica-
10 tion of clause (ii)(II), subsection
11 (b)(2)(A) shall not apply to such con-
12 tribution, but the limitation imposed
13 by such subsection shall be reduced
14 (but not below zero) by the aggregate
15 amount of such contributions. For
16 purposes of subsection (b)(2)(B), such
17 contributions shall be treated as al-
18 lowable under subsection (b)(2)(A).

19 “(iv) DETERMINATION OF BASIS FOR
20 CERTAIN TAXPAYERS.—If a taxpayer—

21 “(I) does not account for inven-
22 tories under section 471, and

23 “(II) is not required to capitalize
24 indirect costs under section 263A,

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

6 “(v) DETERMINATION OF FAIR MAR-
7 KET VALUE.—In the case of any such con-
8 tribution of apparently wholesome food
9 which cannot or will not be sold solely by
10 reason of internal standards of the tax-
11 payer, lack of market, or similar cir-
12 cumstances, or by reason of being pro-
13 duced by the taxpayer exclusively for the
14 purposes of transferring the food to an or-
15 ganization described in subparagraph (A),
16 the fair market value of such contribution
17 shall be determined—

18 “(I) without regard to such inter-
19 nal standards, such lack of market,
20 such circumstances, or such exclusive
21 purpose, and

22 “(II) by taking into account the
23 price at which the same or substan-
24 tially the same food items (as to both
25 type and quality) are sold by the tax-

1 payer at the time of the contribution
2 (or, if not so sold at such time, in the
3 recent past).”

4 (c) EFFECTIVE DATES.—

5 (1) EXTENSION.—The amendment made by
6 subsection (a) shall apply to contributions made
7 after December 31, 2014.

8 (2) MODIFICATIONS.—The amendments made
9 by subsection (b) shall apply to taxable years begin-
10 ning after December 31, 2015.

11 **SEC. 114. EXTENSION OF MODIFICATION OF TAX TREAT-**
12 **MENT OF CERTAIN PAYMENTS TO CONTROL-**
13 **LING EXEMPT ORGANIZATIONS.**

14 (a) IN GENERAL.—Section 512(b)(13)(E) is amend-
15 ed by striking clause (iv).

16 (b) EFFECTIVE DATE.—The amendment made by
17 this section shall apply to payments received or accrued
18 after December 31, 2014.

19 **SEC. 115. EXTENSION OF BASIS ADJUSTMENT TO STOCK OF**
20 **S CORPORATIONS MAKING CHARITABLE CON-**
21 **TRIBUTIONS OF PROPERTY.**

22 (a) IN GENERAL.—Section 1367(a)(2) is amended by
23 striking the last sentence.

1 (b) EFFECTIVE DATE.—The amendment made by
2 this section shall apply to contributions made in taxable
3 years beginning after December 31, 2014.

4 **PART 3—INCENTIVES FOR GROWTH, JOBS,**
5 **INVESTMENT, AND INNOVATION**

6 **SEC. 121. EXTENSION AND MODIFICATION OF RESEARCH**
7 **CREDIT.**

8 (a) MADE PERMANENT.—

9 (1) IN GENERAL.—Section 41 is amended by
10 striking subsection (h).

11 (2) CONFORMING AMENDMENT.—Section
12 45C(b)(1) is amended by striking subparagraph (D).

13 (b) CREDIT ALLOWED AGAINST ALTERNATIVE MIN-
14 IMUM TAX IN CASE OF ELIGIBLE SMALL BUSINESS.—
15 Section 38(c)(4)(B) is amended by redesignating clauses
16 (ii) through (ix) as clauses (iii) through (x), respectively,
17 and by inserting after clause (i) the following new clause:

18 “(ii) the credit determined under sec-
19 tion 41 for the taxable year with respect to
20 an eligible small business (as defined in
21 paragraph (5)(C), after application of rules
22 similar to the rules of paragraph (5)(D)),”.

23 (c) TREATMENT OF RESEARCH CREDIT FOR CER-
24 TAIN STARTUP COMPANIES.—

1 (1) IN GENERAL.—Section 41, as amended by
2 subsection (a), is amended by adding at the end the
3 following new subsection:

4 “(h) TREATMENT OF CREDIT FOR QUALIFIED SMALL
5 BUSINESSES.—

6 “(1) IN GENERAL.—At the election of a quali-
7 fied small business for any taxable year, section
8 3111(f) shall apply to the payroll tax credit portion
9 of the credit otherwise determined under subsection
10 (a) for the taxable year and such portion shall not
11 be treated (other than for purposes of section 280C)
12 as a credit determined under subsection (a).

13 “(2) PAYROLL TAX CREDIT PORTION.—For
14 purposes of this subsection, the payroll tax credit
15 portion of the credit determined under subsection
16 (a) with respect to any qualified small business for
17 any taxable year is the least of—

18 “(A) the amount specified in the election
19 made under this subsection,

20 “(B) the credit determined under sub-
21 section (a) for the taxable year (determined be-
22 fore the application of this subsection), or

23 “(C) in the case of a qualified small busi-
24 ness other than a partnership or S corporation,
25 the amount of the business credit carryforward

1 under section 39 carried from the taxable year
2 (determined before the application of this sub-
3 section to the taxable year).

4 “(3) QUALIFIED SMALL BUSINESS.—For pur-
5 poses of this subsection—

6 “(A) IN GENERAL.—The term ‘qualified
7 small business’ means, with respect to any tax-
8 able year—

9 “(i) a corporation or partnership, if—

10 “(I) the gross receipts (as deter-
11 mined under the rules of section
12 448(c)(3), without regard to subpara-
13 graph (A) thereof) of such entity for
14 the taxable year is less than
15 \$5,000,000, and

16 “(II) such entity did not have
17 gross receipts (as so determined) for
18 any taxable year preceding the 5-tax-
19 able-year period ending with such tax-
20 able year, and

21 “(ii) any person (other than a cor-
22 poration or partnership) who meets the re-
23 quirements of subclauses (I) and (II) of
24 clause (i), determined—

1 “(I) by substituting ‘person’ for
2 ‘entity’ each place it appears, and

3 “(II) by only taking into account
4 the aggregate gross receipts received
5 by such person in carrying on all
6 trades or businesses of such person.

7 “(B) LIMITATION.—Such term shall not
8 include an organization which is exempt from
9 taxation under section 501.

10 “(4) ELECTION.—

11 “(A) IN GENERAL.—Any election under
12 this subsection for any taxable year—

13 “(i) shall specify the amount of the
14 credit to which such election applies,

15 “(ii) shall be made on or before the
16 due date (including extensions) of—

17 “(I) in the case of a qualified
18 small business which is a partnership,
19 the return required to be filed under
20 section 6031,

21 “(II) in the case of a qualified
22 small business which is an S corpora-
23 tion, the return required to be filed
24 under section 6037, and

1 “(III) in the case of any other
2 qualified small business, the return of
3 tax for the taxable year, and

4 “(iii) may be revoked only with the
5 consent of the Secretary.

6 “(B) LIMITATIONS.—

7 “(i) AMOUNT.—The amount specified
8 in any election made under this subsection
9 shall not exceed \$250,000.

10 “(ii) NUMBER OF TAXABLE YEARS.—

11 A person may not make an election under
12 this subsection if such person (or any other
13 person treated as a single taxpayer with
14 such person under paragraph (5)(A)) has
15 made an election under this subsection for
16 5 or more preceding taxable years.

17 “(C) SPECIAL RULE FOR PARTNERSHIPS
18 AND S CORPORATIONS.—In the case of a quali-
19 fied small business which is a partnership or S
20 corporation, the election made under this sub-
21 section shall be made at the entity level.

22 “(5) AGGREGATION RULES.—

23 “(A) IN GENERAL.—Except as provided in
24 subparagraph (B), all persons or entities treat-
25 ed as a single taxpayer under subsection (f)(1)

1 shall be treated as a single taxpayer for pur-
2 poses of this subsection.

3 “(B) SPECIAL RULES.—For purposes of
4 this subsection and section 3111(f)—

5 “(i) each of the persons treated as a
6 single taxpayer under subparagraph (A)
7 may separately make the election under
8 paragraph (1) for any taxable year, and

9 “(ii) the \$250,000 amount under
10 paragraph (4)(B)(i) shall be allocated
11 among all persons treated as a single tax-
12 payer under subparagraph (A) in the same
13 manner as under subparagraph (A)(ii) or
14 (B)(ii) of subsection (f)(1), whichever is
15 applicable.

16 “(6) REGULATIONS.—The Secretary shall pre-
17 scribe such regulations as may be necessary to carry
18 out the purposes of this subsection, including—

19 “(A) regulations to prevent the avoidance
20 of the purposes of the limitations and aggrega-
21 tion rules under this subsection through the use
22 of successor companies or other means,

23 “(B) regulations to minimize compliance
24 and record-keeping burdens under this sub-
25 section, and

1 “(C) regulations for recapturing the ben-
2 efit of credits determined under section 3111(f)
3 in cases where there is a subsequent adjustment
4 to the payroll tax credit portion of the credit
5 determined under subsection (a), including re-
6 quiring amended income tax returns in the
7 cases where there is such an adjustment.”.

8 (2) CREDIT ALLOWED AGAINST FICA TAXES.—

9 Section 3111 is amended by adding at the end the
10 following new subsection:

11 “(f) CREDIT FOR RESEARCH EXPENDITURES OF
12 QUALIFIED SMALL BUSINESSES.—

13 “(1) IN GENERAL.—In the case of a taxpayer
14 who has made an election under section 41(h) for a
15 taxable year, there shall be allowed as a credit
16 against the tax imposed by subsection (a) for the
17 first calendar quarter which begins after the date on
18 which the taxpayer files the return specified in sec-
19 tion 41(h)(4)(A)(ii) an amount equal to the payroll
20 tax credit portion determined under section
21 41(h)(2).

22 “(2) LIMITATION.—The credit allowed by para-
23 graph (1) shall not exceed the tax imposed by sub-
24 section (a) for any calendar quarter on the wages

1 paid with respect to the employment of all individ-
2 uals in the employ of the employer.

3 “(3) CARRYOVER OF UNUSED CREDIT.—If the
4 amount of the credit under paragraph (1) exceeds
5 the limitation of paragraph (2) for any calendar
6 quarter, such excess shall be carried to the suc-
7 ceeding calendar quarter and allowed as a credit
8 under paragraph (1) for such quarter.

9 “(4) DEDUCTION ALLOWED FOR CREDITED
10 AMOUNTS.—The credit allowed under paragraph (1)
11 shall not be taken into account for purposes of de-
12 termining the amount of any deduction allowed
13 under chapter 1 for taxes imposed under subsection
14 (a).”.

15 (d) EFFECTIVE DATES.—

16 (1) EXTENSION.—The amendments made by
17 subsection (a) shall apply to shall apply to amounts
18 paid or incurred after December 31, 2014.

19 (2) CREDIT ALLOWED AGAINST ALTERNATIVE
20 MINIMUM TAX IN CASE OF ELIGIBLE SMALL BUSI-
21 NESS.—The amendments made by subsection (b)
22 shall apply to credits determined for taxable years
23 beginning after December 31, 2015.

24 (3) TREATMENT OF RESEARCH CREDIT FOR
25 CERTAIN STARTUP COMPANIES.—The amendments

1 made by subsection (c) shall apply to taxable years
2 beginning after December 31, 2015.

3 **SEC. 122. EXTENSION AND MODIFICATION OF EMPLOYER**
4 **WAGE CREDIT FOR EMPLOYEES WHO ARE AC-**
5 **TIVE DUTY MEMBERS OF THE UNIFORMED**
6 **SERVICES.**

7 (a) IN GENERAL.—Section 45P is amended by strik-
8 ing subsection (f).

9 (b) APPLICABILITY TO ALL EMPLOYERS.—

10 (1) IN GENERAL.—Section 45P(a) is amended
11 by striking “, in the case of an eligible small busi-
12 ness employer”.

13 (2) CONFORMING AMENDMENT.—Section
14 45P(b)(3) is amended to read as follows:

15 “(3) CONTROLLED GROUPS.—All persons treat-
16 ed as a single employer under subsection (b), (c),
17 (m), or (o) of section 414 shall be treated as a single
18 employer.”.

19 (c) EFFECTIVE DATE.—

20 (1) EXTENSION.—The amendment made by
21 subsection (a) shall apply to payments made after
22 December 31, 2014.

23 (2) MODIFICATION.—The amendments made by
24 subsection (b) shall apply to taxable years beginning
25 after December 31, 2015.

1 **SEC. 123. EXTENSION OF 15-YEAR STRAIGHT-LINE COST RE-**
2 **COVERY FOR QUALIFIED LEASEHOLD IM-**
3 **PROVEMENTS, QUALIFIED RESTAURANT**
4 **BUILDINGS AND IMPROVEMENTS, AND**
5 **QUALIFIED RETAIL IMPROVEMENTS.**

6 (a) QUALIFIED LEASEHOLD IMPROVEMENT PROP-
7 ERTY AND QUALIFIED RESTAURANT PROPERTY.—Clauses
8 (iv) and (v) of section 168(e)(3)(E) are each amended by
9 striking “placed in service before January 1, 2015”.

10 (b) QUALIFIED RETAIL IMPROVEMENT PROPERTY.—
11 Section 168(e)(3)(E)(ix) is amended by striking “placed
12 in service after December 31, 2008, and before January
13 1, 2015”.

14 (c) EFFECTIVE DATE.—The amendments made by
15 this section shall apply to property placed in service after
16 December 31, 2014.

17 **SEC. 124. EXTENSION AND MODIFICATION OF INCREASED**
18 **EXPENSING LIMITATIONS AND TREATMENT**
19 **OF CERTAIN REAL PROPERTY AS SECTION**
20 **179 PROPERTY.**

21 (a) MADE PERMANENT.—

22 (1) DOLLAR LIMITATION.—Section 179(b)(1) is
23 amended by striking “shall not exceed—” and all
24 that follows and inserting “shall not exceed
25 \$500,000.”.

1 (2) REDUCTION IN LIMITATION.—Section
2 179(b)(2) is amended by striking “exceeds—” and
3 all that follows and inserting “exceeds \$2,000,000.”.

4 (b) COMPUTER SOFTWARE.—Section
5 179(d)(1)(A)(ii) is amended by striking “, to which section
6 167 applies, and which is placed in service in a taxable
7 year beginning after 2002 and before 2015” and inserting
8 “and to which section 167 applies”.

9 (c) SPECIAL RULES FOR TREATMENT OF QUALIFIED
10 REAL PROPERTY.—

11 (1) EXTENSION FOR 2015.—Section 179(f) is
12 amended—

13 (A) by striking “2015” in paragraph (1)
14 and inserting “2016”,

15 (B) by striking “2014” each place it ap-
16 pears in paragraph (4) and inserting “2015”,
17 and

18 (C) by striking “AND 2013” in the heading
19 of paragraph (4)(C) and inserting “2013, AND
20 2014”.

21 (2) MADE PERMANENT.—Section 179(f), as
22 amended by paragraph (1), is amended—

23 (A) by striking “beginning after 2009 and
24 before 2016” in paragraph (1), and

25 (B) by striking paragraphs (3) and (4).

1 (d) ELECTION.—Section 179(c)(2) is amended—

2 (1) by striking “may not be revoked” and all
3 that follows through “and before 2015”, and

4 (2) by striking “IRREVOCABLE” in the heading
5 thereof.

6 (e) AIR CONDITIONING AND HEATING UNITS.—Sec-
7 tion 179(d)(1) is amended by striking “and shall not in-
8 clude air conditioning or heating units”.

9 (f) INFLATION ADJUSTMENT.—Section 179(b) is
10 amended by adding at the end the following new para-
11 graph:

12 “(6) INFLATION ADJUSTMENT.—

13 “(A) IN GENERAL.—In the case of any
14 taxable year beginning after 2015, the dollar
15 amounts in paragraphs (1) and (2) shall each
16 be increased by an amount equal to—

17 “(i) such dollar amount, multiplied by

18 “(ii) the cost-of-living adjustment de-
19 termined under section 1(f)(3) for the cal-
20 endar year in which the taxable year be-
21 gins, determined by substituting ‘calendar
22 year 2014’ for ‘calendar year 1992’ in sub-
23 paragraph (B) thereof.

1 “(B) ROUNDING.—The amount of any in-
2 crease under subparagraph (A) shall be round-
3 ed to the nearest multiple of \$10,000.”.

4 (g) EFFECTIVE DATES.—

5 (1) EXTENSION.—Except as provided in para-
6 graph (2), the amendments made by this section
7 shall apply to taxable years beginning after Decem-
8 ber 31, 2014.

9 (2) MODIFICATIONS.—The amendments made
10 by subsections (c)(2) and (e) shall apply to taxable
11 years beginning after December 31, 2015.

12 **SEC. 125. EXTENSION OF TREATMENT OF CERTAIN DIVI-**
13 **DENDS OF REGULATED INVESTMENT COMPA-**
14 **NIES.**

15 (a) IN GENERAL.—Section 871(k) is amended by
16 striking clause (v) of paragraph (1)(C) and clause (v) of
17 paragraph (2)(C).

18 (b) EFFECTIVE DATE.—The amendments made by
19 this section shall apply to taxable years beginning after
20 December 31, 2014.

21 **SEC. 126. EXTENSION OF EXCLUSION OF 100 PERCENT OF**
22 **GAIN ON CERTAIN SMALL BUSINESS STOCK.**

23 (a) IN GENERAL.—Section 1202(a)(4) is amended—
24 (1) by striking “and before January 1, 2015”,
25 and

1 (2) by striking “, 2011, 2012, 2013, AND 2014” in
2 the heading thereof and inserting “AND THERE-
3 AFTER”.

4 (b) EFFECTIVE DATE.—The amendments made by
5 this section shall apply to stock acquired after December
6 31, 2014.

7 **SEC. 127. EXTENSION OF REDUCTION IN S-CORPORATION**
8 **RECOGNITION PERIOD FOR BUILT-IN GAINS**
9 **TAX.**

10 (a) IN GENERAL.—Section 1374(d)(7) is amended to
11 read as follows:

12 “(7) RECOGNITION PERIOD.—

13 “(A) IN GENERAL.—The term ‘recognition
14 period’ means the 5-year period beginning with
15 the 1st day of the 1st taxable year for which
16 the corporation was an S corporation. For pur-
17 poses of applying this section to any amount in-
18 cludible in income by reason of distributions to
19 shareholders pursuant to section 593(e), the
20 preceding sentence shall be applied without re-
21 gard to the phrase ‘5-year’.

22 “(B) INSTALLMENT SALES.—If an S cor-
23 poration sells an asset and reports the income
24 from the sale using the installment method
25 under section 453, the treatment of all pay-

1 ments received shall be governed by the provi-
2 sions of this paragraph applicable to the taxable
3 year in which such sale was made.”.

4 (b) **EFFECTIVE DATE.**—The amendments made by
5 this section shall apply to taxable years beginning after
6 December 31, 2014.

7 **SEC. 128. EXTENSION OF SUBPART F EXCEPTION FOR AC-**
8 **TIVE FINANCING INCOME.**

9 (a) **INSURANCE BUSINESSES.**—Section 953(e) is
10 amended by striking paragraph (10) and by redesignating
11 paragraph (11) as paragraph (10).

12 (b) **BANKING, FINANCING, OR SIMILAR BUSI-**
13 **NESSES.**—Section 954(h) is amended by striking para-
14 graph (9).

15 (c) **EFFECTIVE DATE.**—The amendments made by
16 this section shall apply to taxable years of foreign corpora-
17 tions beginning after December 31, 2014, and to taxable
18 years of United States shareholders with or within which
19 any such taxable year of such foreign corporation ends.

1 **PART 4—INCENTIVES FOR REAL ESTATE**

2 **INVESTMENT**

3 **SEC. 131. EXTENSION OF MINIMUM LOW-INCOME HOUSING**

4 **TAX CREDIT RATE FOR NON-FEDERALLY SUB-**

5 **SIDIZED BUILDINGS.**

6 (a) IN GENERAL.—Section 42(b)(2) is amended by
7 striking “with respect to housing credit dollar amount al-
8 locations made before January 1, 2015”.

9 (b) CLERICAL AMENDMENT.—The heading for sec-
10 tion 42(b)(2) is amended by striking “TEMPORARY MIN-
11 IMUM” and inserting “MINIMUM”.

12 (c) EFFECTIVE DATES.—The amendments made by
13 this section shall take effect on January 1, 2015.

14 **SEC. 132. EXTENSION OF MILITARY HOUSING ALLOWANCE**

15 **EXCLUSION FOR DETERMINING WHETHER A**

16 **TENANT IN CERTAIN COUNTIES IS LOW-IN-**

17 **COME.**

18 (a) IN GENERAL.—Section 3005(b) of the Housing
19 Assistance Tax Act of 2008 is amended by striking “and
20 before January 1, 2015” each place it appears.

21 (b) EFFECTIVE DATE.—The amendments made by
22 this section shall take effect as if included in the enact-
23 ment of section 3005 of the Housing Assistance Tax Act
24 of 2008.

1 **SEC. 133. EXTENSION OF RIC QUALIFIED INVESTMENT EN-**
2 **TITY TREATMENT UNDER FIRPTA.**

3 (a) IN GENERAL.—Section 897(h)(4)(A) is amend-
4 ed—

5 (1) by striking clause (ii), and

6 (2) by striking all that precedes “regulated in-
7 vestment company which” and inserting the fol-
8 lowing:

9 “(A) QUALIFIED INVESTMENT ENTITY.—

10 The term ‘qualified investment entity’ means—

11 “(i) any real estate investment trust,

12 and

13 “(ii) any”.

14 (b) EFFECTIVE DATE.—

15 (1) IN GENERAL.—The amendments made by
16 this section shall take effect on January 1, 2015.
17 Notwithstanding the preceding sentence, such
18 amendments shall not apply with respect to the
19 withholding requirement under section 1445 of the
20 Internal Revenue Code of 1986 for any payment
21 made before the date of the enactment of this Act.

22 (2) AMOUNTS WITHHELD ON OR BEFORE DATE
23 OF ENACTMENT.—In the case of a regulated invest-
24 ment company—

1 (A) which makes a distribution after De-
2 cember 31, 2014, and before the date of the en-
3 actment of this Act, and

4 (B) which would (but for the second sen-
5 tence of paragraph (1)) have been required to
6 withhold with respect to such distribution under
7 section 1445 of such Code,
8 such investment company shall not be liable to any
9 person to whom such distribution was made for any
10 amount so withheld and paid over to the Secretary
11 of the Treasury.

12 **Subtitle B—Extensions Through**
13 **2019**

14 **SEC. 141. EXTENSION OF NEW MARKETS TAX CREDIT.**

15 (a) IN GENERAL.—Section 45D(f)(1)(G) is amended
16 by striking “for 2010, 2011, 2012, 2013, and 2014” and
17 inserting “for each of calendar years 2010 through 2019”.

18 (b) CARRYOVER OF UNUSED LIMITATION.—Section
19 45D(f)(3) is amended by striking “2019” and inserting
20 “2024”.

21 (c) EFFECTIVE DATE.—The amendments made by
22 this section shall apply to calendar years beginning after
23 December 31, 2014.

1 **SEC. 142. EXTENSION AND MODIFICATION OF WORK OP-**
2 **PORTUNITY TAX CREDIT.**

3 (a) IN GENERAL.—Section 51(c)(4) is amended by
4 striking “December 31, 2014” and inserting “December
5 31, 2019”.

6 (b) CREDIT FOR HIRING LONG-TERM UNEMPLOY-
7 MENT RECIPIENTS.—

8 (1) IN GENERAL.—Section 51(d)(1) is amended
9 by striking “or” at the end of subparagraph (H), by
10 striking the period at the end of subparagraph (I)
11 and inserting “, or”, and by adding at the end the
12 following new subparagraph:

13 “(J) a qualified long-term unemployment
14 recipient.”.

15 (2) QUALIFIED LONG-TERM UNEMPLOYMENT
16 RECIPIENT.—Section 51(d) is amended by adding at
17 the end the following new paragraph:

18 “(15) QUALIFIED LONG-TERM UNEMPLOYMENT
19 RECIPIENT.—The term ‘qualified long-term unem-
20 ployment recipient’ means any individual who is cer-
21 tified by the designated local agency as being in a
22 period of unemployment which—

23 “(A) is not less than 27 consecutive weeks,
24 and

1 “(B) includes a period in which the indi-
2 vidual was receiving unemployment compensa-
3 tion under State or Federal law.”.

4 (c) EFFECTIVE DATES.—

5 (1) EXTENSION.—The amendment made by
6 subsection (a) shall apply to individuals who begin
7 work for the employer after December 31, 2014.

8 (2) MODIFICATION.—The amendments made by
9 subsection (b) shall apply to individuals who begin
10 work for the employer after December 31, 2015.

11 **SEC. 143. EXTENSION AND MODIFICATION OF BONUS DE-**
12 **PRECIATION.**

13 (a) EXTENDED FOR 2015.—

14 (1) IN GENERAL.—Section 168(k)(2) is amend-
15 ed—

16 (A) by striking “January 1, 2016” in sub-
17 paragraph (A)(iv) and inserting “January 1,
18 2017”, and

19 (B) by striking “January 1, 2015” each
20 place it appears and inserting “January 1,
21 2016”.

22 (2) SPECIAL RULE FOR FEDERAL LONG-TERM
23 CONTRACTS.—Section 460(c)(6)(B)(ii) is amended
24 by striking “January 1, 2015 (January 1, 2016”
25 and inserting “January 1, 2016 (January 1, 2017”.

1 (3) EXTENSION OF ELECTION TO ACCELERATE
2 AMT CREDIT IN LIEU OF BONUS DEPRECIATION.—

3 (A) IN GENERAL.—Section
4 168(k)(4)(D)(iii)(II) is amended by striking
5 “January 1, 2015” and inserting “January 1,
6 2016”.

7 (B) ROUND 5 EXTENSION PROPERTY.—
8 Section 168(k)(4) is amended by adding at the
9 end the following new subparagraph:

10 “(L) SPECIAL RULES FOR ROUND 5 EX-
11 TENSION PROPERTY.—

12 “(i) IN GENERAL.—In the case of
13 round 5 extension property, in applying
14 this paragraph to any taxpayer—

15 “(I) the limitation described in
16 subparagraph (B)(i) and the business
17 credit increase amount under sub-
18 paragraph (E)(iii) thereof shall not
19 apply, and

20 “(II) the bonus depreciation
21 amount, maximum amount, and max-
22 imum increase amount shall be com-
23 puted separately from amounts com-
24 puted with respect to eligible qualified

1 property which is not round 5 exten-
2 sion property.

3 “(ii) ELECTION.—

4 “(I) A taxpayer who has an elec-
5 tion in effect under this paragraph for
6 round 4 extension property shall be
7 treated as having an election in effect
8 for round 5 extension property unless
9 the taxpayer elects to not have this
10 paragraph apply to round 5 extension
11 property.

12 “(II) A taxpayer who does not
13 have an election in effect under this
14 paragraph for round 4 extension prop-
15 erty may elect to have this paragraph
16 apply to round 5 extension property.

17 “(iii) ROUND 5 EXTENSION PROP-
18 ERTY.—For purposes of this subpara-
19 graph, the term ‘round 5 extension prop-
20 erty’ means property which is eligible
21 qualified property solely by reason of the
22 extension of the application of the special
23 allowance under paragraph (1) pursuant to
24 the amendments made by section
25 143(a)(1) of the Protecting Americans

1 from Tax Hikes Act of 2015 (and the ap-
2 plication of such extension to this para-
3 graph pursuant to the amendment made
4 by section 143(a)(3) of such Act).”.

5 (4) CONFORMING AMENDMENTS.—

6 (A) The heading for section 168(k) is
7 amended by striking “JANUARY 1, 2015” and
8 inserting “JANUARY 1, 2016”.

9 (B) The heading for section
10 168(k)(2)(B)(ii) is amended by striking “PRE-
11 JANUARY 1, 2015” and inserting “PRE-JANUARY
12 1, 2016”.

13 (5) EFFECTIVE DATE.—

14 (A) IN GENERAL.—Except as provided in
15 subparagraph (B), the amendments made by
16 this subsection shall apply to property placed in
17 service after December 31, 2014, in taxable
18 years ending after such date.

19 (B) ELECTION TO ACCELERATE AMT
20 CREDIT.—The amendments made by paragraph
21 (3) shall apply to taxable years ending after
22 December 31, 2014.

23 (b) EXTENDED AND MODIFIED FOR 2016 THROUGH
24 2019.—

1 (1) IN GENERAL.—Section 168(k)(2), as
2 amended by subsection (a), is amended to read as
3 follows:

4 “(2) QUALIFIED PROPERTY.—For purposes of
5 this subsection—

6 “(A) IN GENERAL.—The term ‘qualified
7 property’ means property—

8 “(i)(I) to which this section applies
9 which has a recovery period of 20 years or
10 less,

11 “(II) which is computer software (as
12 defined in section 167(f)(1)(B)) for which
13 a deduction is allowable under section
14 167(a) without regard to this subsection,

15 “(III) which is water utility property,
16 or

17 “(IV) which is qualified improvement
18 property,

19 “(ii) the original use of which com-
20 mences with the taxpayer, and

21 “(iii) which is placed in service by the
22 taxpayer before January 1, 2020.

23 “(B) CERTAIN PROPERTY HAVING LONGER
24 PRODUCTION PERIODS TREATED AS QUALIFIED
25 PROPERTY.—

1 “(i) IN GENERAL.—The term ‘quali-
2 fied property’ includes any property if such
3 property—

4 “(I) meets the requirements of
5 clauses (i) and (ii) of subparagraph
6 (A),

7 “(II) is placed in service by the
8 taxpayer before January 1, 2021,

9 “(III) is acquired by the taxpayer
10 (or acquired pursuant to a written
11 contract entered into) before January
12 1, 2020,

13 “(IV) has a recovery period of at
14 least 10 years or is transportation
15 property,

16 “(V) is subject to section 263A,
17 and

18 “(VI) meets the requirements of
19 clause (iii) of section 263A(f)(1)(B)
20 (determined as if such clause also ap-
21 plies to property which has a long
22 useful life (within the meaning of sec-
23 tion 263A(f))).

24 “(ii) ONLY PRE-JANUARY 1, 2020
25 BASIS ELIGIBLE FOR ADDITIONAL ALLOW-

1 ANCE.—In the case of property which is
2 qualified property solely by reason of
3 clause (i), paragraph (1) shall apply only
4 to the extent of the adjusted basis thereof
5 attributable to manufacture, construction,
6 or production before January 1, 2020.

7 “(iii) TRANSPORTATION PROPERTY.—
8 For purposes of this subparagraph, the
9 term ‘transportation property’ means tan-
10 gible personal property used in the trade
11 or business of transporting persons or
12 property.

13 “(iv) APPLICATION OF SUBPARA-
14 GRAPH.—This subparagraph shall not
15 apply to any property which is described in
16 subparagraph (C).

17 “(C) CERTAIN AIRCRAFT.—The term
18 ‘qualified property’ includes property—

19 “(i) which meets the requirements of
20 subparagraph (A)(ii) and subclauses (II)
21 and (III) of subparagraph (B)(i),

22 “(ii) which is an aircraft which is not
23 a transportation property (as defined in
24 subparagraph (B)(iii)) other than for agri-
25 cultural or firefighting purposes,

1 “(iii) which is purchased and on which
2 such purchaser, at the time of the contract
3 for purchase, has made a nonrefundable
4 deposit of the lesser of—

5 “(I) 10 percent of the cost, or

6 “(II) \$100,000, and

7 “(iv) which has—

8 “(I) an estimated production pe-
9 riod exceeding 4 months, and

10 “(II) a cost exceeding \$200,000.

11 “(D) EXCEPTION FOR ALTERNATIVE DE-
12 PRECIATION PROPERTY.—The term ‘qualified
13 property’ shall not include any property to
14 which the alternative depreciation system under
15 subsection (g) applies, determined—

16 “(i) without regard to paragraph (7)
17 of subsection (g) (relating to election to
18 have system apply), and

19 “(ii) after application of section
20 280F(b) (relating to listed property with
21 limited business use).

22 “(E) SPECIAL RULES.—

23 “(i) SELF-CONSTRUCTED PROP-
24 erty.—In the case of a taxpayer manufac-
25 turing, constructing, or producing property

1 for the taxpayer's own use, the require-
2 ments of subclause (III) of subparagraph
3 (B)(i) shall be treated as met if the tax-
4 payer begins manufacturing, constructing,
5 or producing the property before January
6 1, 2020.

7 “(ii) SALE-LEASEBACKS.—For pur-
8 poses of clause (iii) and subparagraph
9 (A)(ii), if property is—

10 “(I) originally placed in service
11 by a person, and

12 “(II) sold and leased back by
13 such person within 3 months after the
14 date such property was originally
15 placed in service,

16 such property shall be treated as originally
17 placed in service not earlier than the date
18 on which such property is used under the
19 leaseback referred to in subclause (II).

20 “(iii) SYNDICATION.—For purposes of
21 subparagraph (A)(ii), if—

22 “(I) property is originally placed
23 in service by the lessor of such prop-
24 erty,

1 “(II) such property is sold by
2 such lessor or any subsequent pur-
3 chaser within 3 months after the date
4 such property was originally placed in
5 service (or, in the case of multiple
6 units of property subject to the same
7 lease, within 3 months after the date
8 the final unit is placed in service, so
9 long as the period between the time
10 the first unit is placed in service and
11 the time the last unit is placed in
12 service does not exceed 12 months),
13 and

14 “(III) the user of such property
15 after the last sale during such 3-
16 month period remains the same as
17 when such property was originally
18 placed in service,

19 such property shall be treated as originally
20 placed in service not earlier than the date
21 of such last sale.

22 “(F) COORDINATION WITH SECTION
23 280F.—For purposes of section 280F—

24 “(i) AUTOMOBILES.—In the case of a
25 passenger automobile (as defined in section

1 280F(d)(5)) which is qualified property,
2 the Secretary shall increase the limitation
3 under section 280F(a)(1)(A)(i) by \$8,000.

4 “(ii) LISTED PROPERTY.—The deduc-
5 tion allowable under paragraph (1) shall be
6 taken into account in computing any re-
7 capture amount under section 280F(b)(2).

8 “(iii) PHASE DOWN.—In the case of a
9 passenger automobile placed in service by
10 the taxpayer after December 31, 2017,
11 clause (i) shall be applied by substituting
12 for ‘\$8,000’—

13 “(I) in the case of an automobile
14 placed in service during 2018, \$6,400,
15 and

16 “(II) in the case of an automobile
17 placed in service during 2019, \$4,800.

18 “(G) DEDUCTION ALLOWED IN COMPUTING
19 MINIMUM TAX.—For purposes of determining
20 alternative minimum taxable income under sec-
21 tion 55, the deduction under section 167 for
22 qualified property shall be determined without
23 regard to any adjustment under section 56.”.

24 (2) QUALIFIED IMPROVEMENT PROPERTY.—

25 Section 168(k)(3) is amended to read as follows:

1 “(3) QUALIFIED IMPROVEMENT PROPERTY.—

2 For purposes of this subsection—

3 “(A) IN GENERAL.—The term ‘qualified
4 improvement property’ means any improvement
5 to an interior portion of a building which is
6 nonresidential real property if such improve-
7 ment is placed in service after the date such
8 building was first placed in service.

9 “(B) CERTAIN IMPROVEMENTS NOT IN-
10 CLUDED.—Such term shall not include any im-
11 provement for which the expenditure is attrib-
12 utable to—

13 “(i) the enlargement of the building,

14 “(ii) any elevator or escalator, or

15 “(iii) the internal structural frame-
16 work of the building.”.

17 (3) EXPANSION OF ELECTION TO ACCELERATE
18 AMT CREDITS IN LIEU OF BONUS DEPRECIATION.—

19 Section 168(k)(4), as amended by subsection (a), is
20 amended to read as follows:

21 “(4) ELECTION TO ACCELERATE AMT CREDITS
22 IN LIEU OF BONUS DEPRECIATION.—

23 “(A) IN GENERAL.—If a corporation elects
24 to have this paragraph apply for any taxable
25 year—

1 “(i) paragraphs (1) and (2)(F) shall
2 not apply to any qualified property placed
3 in service during such taxable year,

4 “(ii) the applicable depreciation meth-
5 od used under this section with respect to
6 such property shall be the straight line
7 method, and

8 “(iii) the limitation imposed by section
9 53(c) for such taxable year shall be in-
10 creased by the bonus depreciation amount
11 which is determined for such taxable year
12 under subparagraph (B).

13 “(B) BONUS DEPRECIATION AMOUNT.—
14 For purposes of this paragraph—

15 “(i) IN GENERAL.—The bonus depre-
16 ciation amount for any taxable year is an
17 amount equal to 20 percent of the excess
18 (if any) of—

19 “(I) the aggregate amount of de-
20 preciation which would be allowed
21 under this section for qualified prop-
22 erty placed in service by the taxpayer
23 during such taxable year if paragraph
24 (1) applied to all such property (and,
25 in the case of any such property which

1 is a passenger automobile (as defined
2 in section 280F(d)(5)), if paragraph
3 (2)(F) applied to such automobile),
4 over

5 “(II) the aggregate amount of
6 depreciation which would be allowed
7 under this section for qualified prop-
8 erty placed in service by the taxpayer
9 during such taxable year if para-
10 graphs (1) and (2)(F) did not apply
11 to any such property.

12 The aggregate amounts determined under
13 subclauses (I) and (II) shall be determined
14 without regard to any election made under
15 subparagraph (A) or subsection (b)(2)(D),
16 (b)(3)(D), or (g)(7).

17 “(ii) LIMITATION.—The bonus depre-
18 ciation amount for any taxable year shall
19 not exceed the lesser of—

20 “(I) 50 percent of the minimum
21 tax credit under section 53(b) for the
22 first taxable year ending after Decem-
23 ber 31, 2015, or

24 “(II) the minimum tax credit
25 under section 53(b) for such taxable

1 year determined by taking into ac-
2 count only the adjusted net minimum
3 tax for taxable years ending before
4 January 1, 2016 (determined by
5 treating credits as allowed on a first-
6 in, first-out basis).

7 “(iii) AGGREGATION RULE.—All cor-
8 porations which are treated as a single em-
9 ployer under section 52(a) shall be treat-
10 ed—

11 “(I) as 1 taxpayer for purposes
12 of this paragraph, and

13 “(II) as having elected the appli-
14 cation of this paragraph if any such
15 corporation so elects.

16 “(C) CREDIT REFUNDABLE.—For pur-
17 poses of section 6401(b), the aggregate increase
18 in the credits allowable under part IV of sub-
19 chapter A for any taxable year resulting from
20 the application of this paragraph shall be treat-
21 ed as allowed under subpart C of such part
22 (and not any other subpart).

23 “(D) OTHER RULES.—

1 “(i) ELECTION.—Any election under
2 this paragraph may be revoked only with
3 the consent of the Secretary.

4 “(ii) PARTNERSHIPS WITH ELECTING
5 PARTNERS.—In the case of a corporation
6 which is a partner in a partnership and
7 which makes an election under subpara-
8 graph (A) for the taxable year, for pur-
9 poses of determining such corporation’s
10 distributive share of partnership items
11 under section 702 for such taxable year—

12 “(I) paragraphs (1) and (2)(F)
13 shall not apply to any qualified prop-
14 erty placed in service during such tax-
15 able year, and

16 “(II) the applicable depreciation
17 method used under this section with
18 respect to such property shall be the
19 straight line method.

20 “(iii) CERTAIN PARTNERSHIPS.—In
21 the case of a partnership in which more
22 than 50 percent of the capital and profits
23 interests are owned (directly or indirectly)
24 at all times during the taxable year by 1
25 corporation (or by corporations treated as

1 1 taxpayer under subparagraph (B)(iii),
2 each partner shall compute its bonus de-
3 preciation amount under clause (i) of sub-
4 paragraph (B) by taking into account its
5 distributive share of the amounts deter-
6 mined by the partnership under subclauses
7 (I) and (II) of such clause for the taxable
8 year of the partnership ending with or
9 within the taxable year of the partner.”.

10 (4) SPECIAL RULES FOR CERTAIN PLANTS
11 BEARING FRUITS AND NUTS.—Section 168(k) is
12 amended—

13 (A) by striking paragraph (5), and

14 (B) by inserting after paragraph (4) the
15 following new paragraph:

16 “(5) SPECIAL RULES FOR CERTAIN PLANTS
17 BEARING FRUITS AND NUTS.—

18 “(A) IN GENERAL.—In the case of any
19 specified plant which is planted before January
20 1, 2020, or is grafted before such date to a
21 plant that has already been planted, by the tax-
22 payer in the ordinary course of the taxpayer’s
23 farming business (as defined in section
24 263A(e)(4)) during a taxable year for which the

1 taxpayer has elected the application of this
2 paragraph—

3 “(i) a depreciation deduction equal to
4 50 percent of the adjusted basis of such
5 specified plant shall be allowed under sec-
6 tion 167(a) for the taxable year in which
7 such specified plant is so planted or graft-
8 ed, and

9 “(ii) the adjusted basis of such speci-
10 fied plant shall be reduced by the amount
11 of such deduction.

12 “(B) SPECIFIED PLANT.—For purposes of
13 this paragraph, the term ‘specified plant’
14 means—

15 “(i) any tree or vine which bears
16 fruits or nuts, and

17 “(ii) any other plant which will have
18 more than one yield of fruits or nuts and
19 which generally has a pre-productive period
20 of more than 2 years from the time of
21 planting or grafting to the time at which
22 such plant begins bearing fruits or nuts.

23 Such term shall not include any property which
24 is planted or grafted outside of the United
25 States.

1 “(C) ELECTION REVOCABLE ONLY WITH
2 CONSENT.—An election under this paragraph
3 may be revoked only with the consent of the
4 Secretary.

5 “(D) ADDITIONAL DEPRECIATION MAY BE
6 CLAIMED ONLY ONCE.—If this paragraph ap-
7 plies to any specified plant, such specified plant
8 shall not be treated as qualified property in the
9 taxable year in which placed in service.

10 “(E) DEDUCTION ALLOWED IN COMPUTING
11 MINIMUM TAX.—Rules similar to the rules of
12 paragraph (2)(G) shall apply for purposes of
13 this paragraph.

14 “(F) PHASE DOWN.—In the case of a spec-
15 ified plant which is planted after December 31,
16 2017 (or is grafted to a plant that has already
17 been planted before such date), subparagraph
18 (A)(i) shall be applied by substituting for ‘50
19 percent’—

20 “(i) in the case of a plant which is
21 planted (or so grafted) in 2018, ‘40 per-
22 cent’, and

23 “(ii) in the case of a plant which is
24 planted (or so grafted) during 2019, ‘30
25 percent’.”.

1 (5) PHASE DOWN OF BONUS DEPRECIATION.—
2 Section 168(k) is amended by adding at the end the
3 following new paragraph:

4 “(6) PHASE DOWN.—In the case of qualified
5 property placed in service by the taxpayer after De-
6 cember 31, 2017, paragraph (1)(A) shall be applied
7 by substituting for ‘50 percent’—

8 “(A) in the case of property placed in serv-
9 ice in 2018 (or in the case of property placed
10 in service in 2019 and described in paragraph
11 (2)(B) or (C) (determined by substituting
12 ‘2019’ for ‘2020’ in paragraphs (2)(B)(i)(III)
13 and (ii) and paragraph (2)(E)(i)), ‘40 percent’,

14 “(B) in the case of property placed in serv-
15 ice in 2019 (or in the case of property placed
16 in service in 2020 and described in paragraph
17 (2)(B) or (C), ‘30 percent’.”.

18 (6) CONFORMING AMENDMENTS.—

19 (A) Section 168(e)(6) is amended—

20 (i) by redesignating subparagraphs
21 (A) and (B) as subparagraphs (D) and
22 (E), respectively,

23 (ii) by striking all that precedes sub-
24 paragraph (D) (as so redesignated) and in-
25 serting the following:

1 “(6) QUALIFIED LEASEHOLD IMPROVEMENT
2 PROPERTY.—For purposes of this subsection—

3 “(A) IN GENERAL.—The term ‘qualified
4 leasehold improvement property’ means any im-
5 provement to an interior portion of a building
6 which is nonresidential real property if—

7 “(i) such improvement is made under
8 or pursuant to a lease (as defined in sub-
9 section (h)(7))—

10 “(I) by the lessee (or any subles-
11 see) of such portion, or

12 “(II) by the lessor of such por-
13 tion,

14 “(ii) such portion is to be occupied ex-
15 clusively by the lessee (or any sublessee) of
16 such portion, and

17 “(iii) such improvement is placed in
18 service more than 3 years after the date
19 the building was first placed in service.

20 “(B) CERTAIN IMPROVEMENTS NOT IN-
21 CLUDED.—Such term shall not include any im-
22 provement for which the expenditure is attrib-
23 utable to—

24 “(i) the enlargement of the building,

25 “(ii) any elevator or escalator,

1 “(iii) any structural component bene-
2 fitting a common area, or

3 “(iv) the internal structural frame-
4 work of the building.

5 “(C) DEFINITIONS AND SPECIAL RULES.—

6 For purposes of this paragraph—

7 “(i) COMMITMENT TO LEASE TREAT-
8 ED AS LEASE.—A commitment to enter
9 into a lease shall be treated as a lease, and
10 the parties to such commitment shall be
11 treated as lessor and lessee, respectively.

12 “(ii) RELATED PERSONS.—A lease be-
13 tween related persons shall not be consid-
14 ered a lease. For purposes of the preceding
15 sentence, the term ‘related persons’
16 means—

17 “(I) members of an affiliated
18 group (as defined in section 1504),
19 and

20 “(II) persons having a relation-
21 ship described in subsection (b) of
22 section 267; except that, for purposes
23 of this clause, the phrase ‘80 percent
24 or more’ shall be substituted for the
25 phrase ‘more than 50 percent’ each

1 place it appears in such subsection.”,

2 and

3 (iii) by striking “subparagraph (A)”

4 in subparagraph (E) (as so redesignated)

5 and inserting “subparagraph (D)”.

6 (B) Section 168(e)(7)(B) is amended by

7 striking “qualified leasehold improvement prop-

8 erty” and inserting “qualified improvement

9 property”.

10 (C) Section 168(e)(8) is amended by strik-

11 ing subparagraph (D).

12 (D) Section 168(k), as amended by the

13 preceding provisions of this section, is amended

14 by adding at the end the following new para-

15 graph:

16 “(7) ELECTION OUT.—If a taxpayer makes an

17 election under this paragraph with respect to any

18 class of property for any taxable year, paragraphs

19 (1) and (2)(F) shall not apply to any qualified prop-

20 erty in such class placed in service during such tax-

21 able year. An election under this paragraph may be

22 revoked only with the consent of the Secretary.”.

23 (E) Section 168(l)(3) is amended—

1 (i) by striking “section 168(k)” in
2 subparagraph (A) and inserting “sub-
3 section (k)”, and

4 (ii) by striking “section
5 168(k)(2)(D)(i)” in subparagraph (B) and
6 inserting “subsection (k)(2)(D)”.

7 (F) Section 168(l)(4) is amended by strik-
8 ing “subparagraph (E) of section 168(k)(2)”
9 and all that follows and inserting “subsection
10 (k)(2)(E) shall apply.”.

11 (G) Section 168(l)(5) is amended by strik-
12 ing “section 168(k)(2)(G)” and inserting “sub-
13 section (k)(2)(G)”.

14 (H) Section 263A(c) is amended by adding
15 at the end the following new paragraph:

16 “(7) COORDINATION WITH SECTION
17 168(k)(5).—This section shall not apply to any
18 amount allowed as a deduction by reason of section
19 168(k)(5) (relating to special rules for certain plants
20 bearing fruits and nuts).”.

21 (I) Section 460(c)(6)(B)(ii), as amended
22 by subsection (a), is amended to read as fol-
23 lows:

24 “(ii) is placed in service before Janu-
25 ary 1, 2020 (January 1, 2021 in the case

1 of property described in section
2 168(k)(2)(B)).”.

3 (J) Section 168(k), as amended by sub-
4 section (a), is amended by striking “AND BE-
5 FORE JANUARY 1, 2016” in the heading thereof
6 and inserting “AND BEFORE JANUARY 1,
7 2020”.

8 (7) EFFECTIVE DATES.—

9 (A) IN GENERAL.—Except as otherwise
10 provided in this paragraph, the amendments
11 made by this subsection shall apply to property
12 placed in service after December 31, 2015, in
13 taxable years ending after such date.

14 (B) EXPANSION OF ELECTION TO ACCEL-
15 ERATE AMT CREDITS IN LIEU OF BONUS DE-
16 PRECIATION.—The amendments made by para-
17 graph (3) shall apply to taxable years ending
18 after December 31, 2015, except that in the
19 case of any taxable year beginning before Janu-
20 ary 1, 2016, and ending after December 31,
21 2015, the limitation under section
22 168(k)(4)(B)(ii) of the Internal Revenue Code
23 of 1986 (as amended by this section) shall be
24 the sum of—

25 (i) the product of—

1 (I) the maximum increase
2 amount (within the meaning of sec-
3 tion 168(k)(4)(C)(iii) of such Code, as
4 in effect before the amendments made
5 by this subsection), multiplied by

6 (II) a fraction the numerator of
7 which is the number of days in the
8 taxable year before January 1, 2016,
9 and the denominator of which is the
10 number of days in the taxable year,
11 plus

12 (ii) the product of—

13 (I) such limitation (determined
14 without regard to this subparagraph),
15 multiplied by

16 (II) a fraction the numerator of
17 which is the number of days in the
18 taxable year after December 31, 2015,
19 and the denominator of which is the
20 number of days in the taxable year.

21 (C) SPECIAL RULES FOR CERTAIN PLANTS
22 BEARING FRUITS AND NUTS.—The amendments
23 made by paragraph (4) (other than subpara-
24 graph (A) thereof) shall apply to specified
25 plants (as defined in section 168(k)(5)(B) of

1 the Internal Revenue Code of 1986, as amended
2 by this subsection) planted or grafted after De-
3 cember 31, 2015.

4 **SEC. 144. EXTENSION OF LOOK-THRU TREATMENT OF PAY-**
5 **MENTS BETWEEN RELATED CONTROLLED**
6 **FOREIGN CORPORATIONS UNDER FOREIGN**
7 **PERSONAL HOLDING COMPANY RULES.**

8 (a) IN GENERAL.—Section 954(c)(6)(C) is amended
9 by striking “January 1, 2015” and inserting “January 1,
10 2020”.

11 (b) EFFECTIVE DATE.—The amendment made by
12 this section shall apply to taxable years of foreign corpora-
13 tions beginning after December 31, 2014, and to taxable
14 years of United States shareholders with or within which
15 such taxable years of foreign corporations end.

1 **Subtitle C—Extensions Through**
2 **2016**

3 **PART 1—TAX RELIEF FOR FAMILIES AND**
4 **INDIVIDUALS**

5 **SEC. 151. EXTENSION AND MODIFICATION OF EXCLUSION**
6 **FROM GROSS INCOME OF DISCHARGE OF**
7 **QUALIFIED PRINCIPAL RESIDENCE INDEBT-**
8 **EDNESS.**

9 (a) EXTENSION.—Section 108(a)(1)(E) is amended
10 by striking “January 1, 2015” and inserting “January 1,
11 2017”.

12 (b) MODIFICATION.—Section 108(a)(1)(E), as
13 amended by subsection (a), is amended by striking “dis-
14 charged before” and all that follows and inserting “dis-
15 charged—

16 “(i) before January 1, 2017, or

17 “(ii) subject to an arrangement that
18 is entered into and evidenced in writing be-
19 fore January 1, 2017.”.

20 (c) EFFECTIVE DATES.—

21 (1) EXTENSION.—The amendment made by
22 subsection (a) shall apply to discharges of indebted-
23 ness after December 31, 2014.

1 (2) MODIFICATION.—The amendment made by
2 subsection (b) shall apply to discharges of indebted-
3 ness after December 31, 2015.

4 **SEC. 152. EXTENSION OF MORTGAGE INSURANCE PRE-**
5 **MIUMS TREATED AS QUALIFIED RESIDENCE**
6 **INTEREST.**

7 (a) IN GENERAL.—Subclause (I) of section
8 163(h)(3)(E)(iv) is amended by striking “December 31,
9 2014” and inserting “December 31, 2016”.

10 (b) EFFECTIVE DATE.—The amendment made by
11 this section shall apply to amounts paid or accrued after
12 December 31, 2014.

13 **SEC. 153. EXTENSION OF ABOVE-THE-LINE DEDUCTION FOR**
14 **QUALIFIED TUITION AND RELATED EX-**
15 **PENSES.**

16 (a) IN GENERAL.—Section 222(e) is amended by
17 striking “December 31, 2014” and inserting “December
18 31, 2016”.

19 (b) EFFECTIVE DATE.—The amendment made by
20 this section shall apply to taxable years beginning after
21 December 31, 2014.

1 **PART 2—INCENTIVES FOR GROWTH, JOBS,**
2 **INVESTMENT, AND INNOVATION**

3 **SEC. 161. EXTENSION OF INDIAN EMPLOYMENT TAX CRED-**
4 **IT.**

5 (a) IN GENERAL.—Section 45A(f) is amended by
6 striking “December 31, 2014” and inserting “December
7 31, 2016”.

8 (b) EFFECTIVE DATE.—The amendment made by
9 this section shall apply to taxable years beginning after
10 December 31, 2014.

11 **SEC. 162. EXTENSION AND MODIFICATION OF RAILROAD**
12 **TRACK MAINTENANCE CREDIT.**

13 (a) EXTENSION.—Section 45G(f) is amended by
14 striking “January 1, 2015” and inserting “January 1,
15 2017”.

16 (b) MODIFICATION.—Section 45G(d) is amended by
17 striking “January 1, 2005,” and inserting “January 1,
18 2015,”.

19 (c) EFFECTIVE DATES.—

20 (1) EXTENSION.—The amendment made by
21 subsection (a) shall apply to expenditures paid or in-
22 curred in taxable years beginning after December
23 31, 2014.

24 (2) MODIFICATION.—The amendment made by
25 subsection (b) shall apply to expenditures paid or in-

1 curred in taxable years beginning after December
2 31, 2015.

3 **SEC. 163. EXTENSION OF MINE RESCUE TEAM TRAINING**
4 **CREDIT.**

5 (a) IN GENERAL.—Section 45N(e) is amended by
6 striking “December 31, 2014” and inserting “December
7 31, 2016”.

8 (b) EFFECTIVE DATE.—The amendment made by
9 this section shall apply to taxable years beginning after
10 December 31, 2014.

11 **SEC. 164. EXTENSION OF QUALIFIED ZONE ACADEMY**
12 **BONDS.**

13 (a) EXTENSION.—Section 54E(c)(1) is amended by
14 striking “and 2014” and inserting “2014, 2015, and
15 2016”.

16 (b) EFFECTIVE DATE.—The amendment made by
17 this section shall apply to obligations issued after Decem-
18 ber 31, 2014.

19 **SEC. 165. EXTENSION OF CLASSIFICATION OF CERTAIN**
20 **RACE HORSES AS 3-YEAR PROPERTY.**

21 (a) IN GENERAL.—Section 168(e)(3)(A)(i) is amend-
22 ed—

23 (1) by striking “January 1, 2015” in subclause
24 (I) and inserting “January 1, 2017”, and

1 (2) by striking “December 31, 2014” in sub-
2 clause (II) and inserting “December 31, 2016”.

3 (b) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to property placed in service after
5 December 31, 2014.

6 **SEC. 166. EXTENSION OF 7-YEAR RECOVERY PERIOD FOR**
7 **MOTORSPORTS ENTERTAINMENT COM-**
8 **PLEXES.**

9 (a) IN GENERAL.—Section 168(i)(15)(D) is amended
10 by striking “December 31, 2014” and inserting “Decem-
11 ber 31, 2016”.

12 (b) EFFECTIVE DATE.—The amendment made by
13 this section shall apply to property placed in service after
14 December 31, 2014.

15 **SEC. 167. EXTENSION AND MODIFICATION OF ACCELER-**
16 **ATED DEPRECIATION FOR BUSINESS PROP-**
17 **ERTY ON AN INDIAN RESERVATION.**

18 (a) IN GENERAL.—Section 168(j)(8) is amended by
19 striking “December 31, 2014” and inserting “December
20 31, 2016”.

21 (b) ELECTION TO HAVE SPECIAL RULES NOT
22 APPLY.—Section 168(j) is amended by redesignating
23 paragraph (8), as amended by subsection (a), as para-
24 graph (9), and by inserting after paragraph (7) the fol-
25 lowing new paragraph:

1 “(8) ELECTION OUT.—If a taxpayer makes an
2 election under this paragraph with respect to any
3 class of property for any taxable year, this sub-
4 section shall not apply to all property in such class
5 placed in service during such taxable year. Such
6 election, once made, shall be irrevocable.”.

7 (c) EFFECTIVE DATES.—

8 (1) EXTENSION.—The amendment made by
9 subsection (a) shall apply to property placed in serv-
10 ice after December 31, 2014.

11 (2) MODIFICATION.—The amendments made by
12 subsection (b) shall apply to taxable years beginning
13 after December 31, 2015.

14 **SEC. 168. EXTENSION OF ELECTION TO EXPENSE MINE**
15 **SAFETY EQUIPMENT.**

16 (a) IN GENERAL.—Section 179E(g) is amended by
17 striking “December 31, 2014” and inserting “December
18 31, 2016”.

19 (b) EFFECTIVE DATE.—The amendment made by
20 this section shall apply to property placed in service after
21 December 31, 2014.

1 **SEC. 169. EXTENSION OF SPECIAL EXPENSING RULES FOR**
2 **CERTAIN FILM AND TELEVISION PRODUC-**
3 **TIONS; SPECIAL EXPENSING FOR LIVE THE-**
4 **ATRICAL PRODUCTIONS.**

5 (a) IN GENERAL.—Section 181(f) is amended by
6 striking “December 31, 2014” and inserting “December
7 31, 2016”.

8 (b) APPLICATION TO LIVE PRODUCTIONS.—

9 (1) IN GENERAL.—Paragraph (1) of section
10 181(a) is amended by inserting “, and any qualified
11 live theatrical production,” after “any qualified film
12 or television production”.

13 (2) CONFORMING AMENDMENTS.—Section 181
14 is amended—

15 (A) by inserting “or any qualified live the-
16 atrical production” after “qualified film or tele-
17 vision production” each place it appears in sub-
18 sections (a)(2), (b), and (c)(1),

19 (B) by inserting “or qualified live theat-
20 rical productions” after “qualified film or tele-
21 vision productions” in subsection (f), and

22 (C) by inserting “**AND LIVE THEAT-**
23 **RICAL**” after “**FILM AND TELEVISION**” in
24 the heading.

25 (3) CLERICAL AMENDMENT.—The item relating
26 to section 181 in the table of sections for part VI

1 of subchapter B of chapter 1 is amended to read as
2 follows:

“Sec. 181. Treatment of certain qualified film and television and live theatrical productions.”.

3 (c) QUALIFIED LIVE THEATRICAL PRODUCTION.—
4 Section 181 is amended—

5 (1) by redesignating subsections (e) and (f), as
6 amended by subsections (a) and (b), as subsections
7 (f) and (g), respectively, and

8 (2) by inserting after subsection (d) the fol-
9 lowing new subsection:

10 “(e) QUALIFIED LIVE THEATRICAL PRODUCTION.—
11 For purposes of this section—

12 “(1) IN GENERAL.—The term ‘qualified live
13 theatrical production’ means any production de-
14 scribed in paragraph (2) if 75 percent of the total
15 compensation of the production is qualified com-
16 pensation (as defined in subsection (d)(3)).

17 “(2) PRODUCTION.—

18 “(A) IN GENERAL.—A production is de-
19 scribed in this paragraph if such production is
20 a live staged production of a play (with or with-
21 out music) which is derived from a written book
22 or script and is produced or presented by a tax-
23 able entity in any venue which has an audience
24 capacity of not more than 3,000 or a series of

1 venues the majority of which have an audience
2 capacity of not more than 3,000.

3 “(B) TOURING COMPANIES, ETC.—In the
4 case of multiple live staged productions—

5 “(i) for which the election under this
6 section would be allowable to the same tax-
7 payer, and

8 “(ii) which are—

9 “(I) separate phases of a produc-
10 tion, or

11 “(II) separate simultaneous stag-
12 ings of the same production in dif-
13 ferent geographical locations (not in-
14 cluding multiple performance locations
15 of any one touring production),

16 each such live staged production shall be treat-
17 ed as a separate production.

18 “(C) PHASE.—For purposes of subpara-
19 graph (B), the term ‘phase’ with respect to any
20 qualified live theatrical production refers to
21 each of the following, but only if each of the fol-
22 lowing is treated by the taxpayer as a separate
23 activity for all purposes of this title:

24 “(i) The initial staging of a live theat-
25 rical production.

1 “(ii) Subsequent additional stagings
2 or touring of such production which are
3 produced by the same producer as the ini-
4 tial staging.

5 “(D) SEASONAL PRODUCTIONS.—

6 “(i) IN GENERAL.—In the case of a
7 live staged production not described in
8 subparagraph (B) which is produced or
9 presented by a taxable entity for not more
10 than 10 weeks of the taxable year, sub-
11 paragraph (A) shall be applied by sub-
12 stituting ‘6,500’ for ‘3,000’.

13 “(ii) SHORT TAXABLE YEARS.—For
14 purposes of clause (i), in the case of any
15 taxable year of less than 12 months, the
16 number of weeks for which a production is
17 produced or presented shall be annualized
18 by multiplying the number of weeks the
19 production is produced or presented during
20 such taxable year by 12 and dividing the
21 result by the number of months in such
22 taxable year.

23 “(E) EXCEPTION.—A production is not de-
24 scribed in this paragraph if such production in-
25 cludes or consists of any performance of con-

1 duct described in section 2257(h)(1) of title 18,
2 United States Code.”.

3 (d) EFFECTIVE DATE.—

4 (1) EXTENSION.—The amendment made by
5 subsection (a) shall apply to productions com-
6 mencing after December 31, 2014.

7 (2) MODIFICATIONS.—

8 (A) IN GENERAL.—The amendments made
9 by subsections (b) and (c) shall apply to pro-
10 ductions commencing after December 31, 2015.

11 (B) COMMENCEMENT.—For purposes of
12 subparagraph (A), the date on which a qualified
13 live theatrical production commences is the date
14 of the first public performance of such produc-
15 tion for a paying audience.

16 **SEC. 170. EXTENSION OF DEDUCTION ALLOWABLE WITH**
17 **RESPECT TO INCOME ATTRIBUTABLE TO DO-**
18 **MESTIC PRODUCTION ACTIVITIES IN PUERTO**
19 **RICO.**

20 (a) IN GENERAL.—Section 199(d)(8)(C) is amend-
21 ed—

22 (1) by striking “first 9 taxable years” and in-
23 serting “first 11 taxable years”, and

24 (2) by striking “January 1, 2015” and insert-
25 ing “January 1, 2017”.

1 (b) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 December 31, 2014.

4 **SEC. 171. EXTENSION AND MODIFICATION OF EMPOWER-**
5 **MENT ZONE TAX INCENTIVES.**

6 (a) IN GENERAL.—

7 (1) EXTENSION.—Section 1391(d)(1)(A)(i) is
8 amended by striking “December 31, 2014” and in-
9 serting “December 31, 2016”.

10 (2) TREATMENT OF CERTAIN TERMINATION
11 DATES SPECIFIED IN NOMINATIONS.—In the case of
12 a designation of an empowerment zone the nomina-
13 tion for which included a termination date which is
14 contemporaneous with the date specified in subpara-
15 graph (A)(i) of section 1391(d)(1) of the Internal
16 Revenue Code of 1986 (as in effect before the enact-
17 ment of this Act), subparagraph (B) of such section
18 shall not apply with respect to such designation if,
19 after the date of the enactment of this section, the
20 entity which made such nomination amends the
21 nomination to provide for a new termination date in
22 such manner as the Secretary of the Treasury (or
23 the Secretary’s designee) may provide.

24 (b) MODIFICATION.—Section 1394(b)(3)(B)(i) is
25 amended—

1 (1) by striking “References” and inserting the
2 following:

3 “(I) IN GENERAL.—Except as
4 provided in subclause (II), ref-
5 erences”, and

6 (2) by adding at the end the following new sub-
7 clause:

8 “(II) SPECIAL RULE FOR EM-
9 PLOYEE RESIDENCE TEST.—For pur-
10 poses of subsection (b)(6) and (c)(5)
11 of section 1397C, an employee shall
12 be treated as a resident of an em-
13 powerment zone if such employee is a
14 resident of an empowerment zone, an
15 enterprise community, or a qualified
16 low-income community within an ap-
17 plicable nominating jurisdiction.”.

18 (c) DEFINITIONS.—

19 (1) QUALIFIED LOW-INCOME COMMUNITY.—
20 Section 1394(b)(3) is amended by redesignating sub-
21 paragraphs (C) and (D) as subparagraphs (D) and
22 (E), respectively, and by inserting after subpara-
23 graph (B) the following new subparagraph:

24 “(C) QUALIFIED LOW-INCOME COMMU-
25 NITY.—For purposes of subparagraph (B)—

1 “(i) IN GENERAL.—The term ‘quali-
2 fied low-income community’ means any
3 population census tract if—

4 “(I) the poverty rate for such
5 tract is at least 20 percent, or

6 “(II) the median family income
7 for such tract does not exceed 80 per-
8 cent of statewide median family in-
9 come (or, in the case of a tract lo-
10 cated within a metropolitan area, met-
11 ropolitan area median family income
12 if greater).

13 Subclause (II) shall be applied using
14 possessionwide median family income in
15 the case of census tracts located within a
16 possession of the United States.

17 “(ii) TARGETED POPULATIONS.—The
18 Secretary shall prescribe regulations under
19 which 1 or more targeted populations
20 (within the meaning of section 103(20) of
21 the Riegle Community Development and
22 Regulatory Improvement Act of 1994) may
23 be treated as qualified low-income commu-
24 nities.

1 “(iii) AREAS NOT WITHIN CENSUS
2 TRACTS.—In the case of an area which is
3 not tracted for population census tracts,
4 the equivalent county divisions (as defined
5 by the Bureau of the Census for purposes
6 of defining poverty areas) shall be used for
7 purposes of determining poverty rates and
8 median family income.

9 “(iv) MODIFICATION OF INCOME RE-
10 QUIREMENT FOR CENSUS TRACTS WITHIN
11 HIGH MIGRATION RURAL COUNTIES.—

12 “(I) IN GENERAL.—In the case
13 of a population census tract located
14 within a high migration rural county,
15 clause (i)(II) shall be applied to areas
16 not located within a metropolitan area
17 by substituting ‘85 percent’ for ‘80
18 percent’.

19 “(II) HIGH MIGRATION RURAL
20 COUNTY.—For purposes of this
21 clause, the term ‘high migration rural
22 county’ means any county which, dur-
23 ing the 20-year period ending with the
24 year in which the most recent census
25 was conducted, has a net out-migra-

1 tion of inhabitants from the county of
2 at least 10 percent of the population
3 of the county at the beginning of such
4 period.”.

5 (2) APPLICABLE NOMINATING JURISDICTION.—

6 Section 1394(b)(3)(D), as redesignated by para-
7 graph (1), is amended by adding at the end the fol-
8 lowing new clause:

9 “(iii) APPLICABLE NOMINATING JU-
10 RISDICTION.—The term ‘applicable nomi-
11 nating jurisdiction’ means, with respect to
12 any empowerment zone or enterprise com-
13 munity, any local government that nomi-
14 nated such community for designation
15 under section 1391.”.

16 (d) CONFORMING AMENDMENTS.—

17 (1) Section 1394(b)(3)(B)(iii) is amended by
18 striking “or an enterprise community” and inserting
19 “, an enterprise community, or a qualified low-in-
20 come community within an applicable nominating ju-
21 risdiction”.

22 (2) Section 1394(b)(3)(D), as redesignated by
23 subsection (c)(1), is amended by striking “DEFINI-
24 TIONS” and inserting “OTHER DEFINITIONS”.

25 (e) EFFECTIVE DATES.—

1 (1) EXTENSIONS.—The amendment made by
2 subsection (a) shall apply to taxable years beginning
3 after December 31, 2014.

4 (2) MODIFICATIONS.—The amendments made
5 by subsections (b), (c), and (d) shall apply to bonds
6 issued after December 31, 2015.

7 **SEC. 172. EXTENSION OF TEMPORARY INCREASE IN LIMIT**
8 **ON COVER OVER OF RUM EXCISE TAXES TO**
9 **PUERTO RICO AND THE VIRGIN ISLANDS.**

10 (a) IN GENERAL.—Section 7652(f)(1) is amended by
11 striking “January 1, 2015” and inserting “January 1,
12 2017”.

13 (b) EFFECTIVE DATE.—The amendment made by
14 this section shall apply to distilled spirits brought into the
15 United States after December 31, 2014.

16 **SEC. 173. EXTENSION OF AMERICAN SAMOA ECONOMIC DE-**
17 **VELOPMENT CREDIT.**

18 (a) IN GENERAL.—Section 119(d) of division A of
19 the Tax Relief and Health Care Act of 2006 is amended—

20 (1) by striking “January 1, 2015” each place
21 it appears and inserting “January 1, 2017”,

22 (2) by striking “first 9 taxable years” in para-
23 graph (1) and inserting “first 11 taxable years”,
24 and

1 (3) by striking “first 3 taxable years” in para-
2 graph (2) and inserting “first 5 taxable years”.

3 (b) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to taxable years beginning after
5 December 31, 2014.

6 **SEC. 174. MORATORIUM ON MEDICAL DEVICE EXCISE TAX.**

7 (a) IN GENERAL.—Section 4191 is amended by add-
8 ing at the end the following new subsection:

9 “(c) MORATORIUM.—The tax imposed under sub-
10 section (a) shall not apply to sales during the period begin-
11 ning on January 1, 2016, and ending on December 31,
12 2017.”.

13 (b) EFFECTIVE DATE.—The amendment made by
14 this section shall apply to sales after December 31, 2015.

15 **PART 3—INCENTIVES FOR ENERGY PRODUCTION**
16 **AND CONSERVATION**

17 **SEC. 181. EXTENSION AND MODIFICATION OF CREDIT FOR**
18 **NONBUSINESS ENERGY PROPERTY.**

19 (a) EXTENSION.—Section 25C(g)(2) is amended by
20 striking “December 31, 2014” and inserting “December
21 31, 2016”.

22 (b) UPDATED ENERGY STAR REQUIREMENTS.—

23 (1) IN GENERAL.—Section 25C(c)(1) is amend-
24 ed by striking “which meets” and all that follows
25 through “requirements)”.

1 (2) ENERGY EFFICIENT BUILDING ENVELOPE
2 COMPONENT.—Section 25C(c) is amended by redes-
3 ignating paragraphs (2) and (3) as paragraphs (3)
4 and (4), respectively, and by inserting after para-
5 graph (1) the following new paragraph:

6 “(2) ENERGY EFFICIENT BUILDING ENVELOPE
7 COMPONENT.—The term ‘energy efficient building
8 envelope component’ means a building envelope com-
9 ponent which meets—

10 “(A) applicable Energy Star program re-
11 quirements, in the case of a roof or roof prod-
12 ucts,

13 “(B) version 6.0 Energy Star program re-
14 quirements, in the case of an exterior window,
15 a skylight, or an exterior door, and

16 “(C) the prescriptive criteria for such com-
17 ponent established by the 2009 International
18 Energy Conservation Code, as such Code (in-
19 cluding supplements) is in effect on the date of
20 the enactment of the American Recovery and
21 Reinvestment Tax Act of 2009, in the case of
22 any other component.”.

23 (c) EFFECTIVE DATES.—

1 (1) EXTENSION.—The amendment made by
2 subsection (a) shall apply to property placed in serv-
3 ice after December 31, 2014.

4 (2) MODIFICATION.—The amendments made by
5 subsection (b) shall apply to property placed in serv-
6 ice after December 31, 2015.

7 **SEC. 182. EXTENSION OF CREDIT FOR ALTERNATIVE FUEL**
8 **VEHICLE REFUELING PROPERTY.**

9 (a) IN GENERAL.—Section 30C(g) is amended by
10 striking “December 31, 2014” and inserting “December
11 31, 2016”.

12 (b) EFFECTIVE DATE.—The amendment made by
13 this section shall apply to property placed in service after
14 December 31, 2014.

15 **SEC. 183. EXTENSION OF CREDIT FOR 2-WHEELED PLUG-IN**
16 **ELECTRIC VEHICLES.**

17 (a) IN GENERAL.—Section 30D(g)(3)(E) is amended
18 by striking “acquired” and all that follows and inserting
19 the following: “acquired—

20 “(i) after December 31, 2011, and be-
21 fore January 1, 2014, or

22 “(ii) in the case of a vehicle that has
23 2 wheels, after December 31, 2014, and
24 before January 1, 2017.”.

1 (b) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to vehicles acquired after Decem-
3 ber 31, 2014.

4 **SEC. 184. EXTENSION OF SECOND GENERATION BIOFUEL**
5 **PRODUCER CREDIT.**

6 (a) IN GENERAL.—Section 40(b)(6)(J)(i) is amended
7 by striking “January 1, 2015” and inserting “January 1,
8 2017”.

9 (b) EFFECTIVE DATE.—The amendment made by
10 this subsection shall apply to qualified second generation
11 biofuel production after December 31, 2014.

12 **SEC. 185. EXTENSION OF BIODIESEL AND RENEWABLE DIE-**
13 **SEL INCENTIVES.**

14 (a) INCOME TAX CREDIT.—

15 (1) IN GENERAL.—Subsection (g) of section
16 40A is amended by striking “December 31, 2014”
17 and inserting “December 31, 2016”.

18 (2) EFFECTIVE DATE.—The amendment made
19 by this subsection shall apply to fuel sold or used
20 after December 31, 2014.

21 (b) EXCISE TAX INCENTIVES.—

22 (1) IN GENERAL.—Section 6426(c)(6) is
23 amended by striking “December 31, 2014” and in-
24 serting “December 31, 2016”.

1 (2) PAYMENTS.—Section 6427(e)(6)(B) is
2 amended by striking “December 31, 2014” and in-
3 serting “December 31, 2016”.

4 (3) EFFECTIVE DATE.—The amendments made
5 by this subsection shall apply to fuel sold or used
6 after December 31, 2014.

7 (4) SPECIAL RULE FOR 2015.—Notwithstanding
8 any other provision of law, in the case of any bio-
9 diesel mixture credit properly determined under sec-
10 tion 6426(c) of the Internal Revenue Code of 1986
11 for the period beginning on January 1, 2015, and
12 ending on December 31, 2015, such credit shall be
13 allowed, and any refund or payment attributable to
14 such credit (including any payment under section
15 6427(e) of such Code) shall be made, only in such
16 manner as the Secretary of the Treasury (or the
17 Secretary’s delegate) shall provide. Such Secretary
18 shall issue guidance within 30 days after the date of
19 the enactment of this Act providing for a one-time
20 submission of claims covering periods described in
21 the preceding sentence. Such guidance shall provide
22 for a 180-day period for the submission of such
23 claims (in such manner as prescribed by such Sec-
24 retary) to begin not later than 30 days after such
25 guidance is issued. Such claims shall be paid by such

1 Secretary not later than 60 days after receipt. If
2 such Secretary has not paid pursuant to a claim
3 filed under this subsection within 60 days after the
4 date of the filing of such claim, the claim shall be
5 paid with interest from such date determined by
6 using the overpayment rate and method under sec-
7 tion 6621 of such Code.

8 **SEC. 186. EXTENSION AND MODIFICATION OF PRODUCTION**
9 **CREDIT FOR INDIAN COAL FACILITIES.**

10 (a) IN GENERAL.—Section 45(e)(10)(A) is amended
11 by striking “9-year period” each place it appears and in-
12 serting “11-year period”.

13 (b) REPEAL OF LIMITATION BASED ON DATE FACIL-
14 ITY IS PLACED IN SERVICE.—Section 45(d)(10) is amend-
15 ed to read as follows:

16 “(10) INDIAN COAL PRODUCTION FACILITY.—
17 The term ‘Indian coal production facility’ means a
18 facility that produces Indian coal.”.

19 (c) TREATMENT OF SALES TO RELATED PARTIES.—
20 Section 45(e)(10)(A)(ii)(I) is amended by inserting “(ei-
21 ther directly by the taxpayer or after sale or transfer to
22 one or more related persons)” after “unrelated person”.

23 (d) CREDIT ALLOWED AGAINST ALTERNATIVE MIN-
24 IMUM TAX.—

1 (1) IN GENERAL.—Section 38(c)(4)(B), as
2 amended by the preceding provisions of this Act, is
3 amended by redesignating clauses (v) through (x) as
4 clauses (vi) through (xi), respectively, and by insert-
5 ing after clause (iv) the following new clause:

6 “(v) the credit determined under sec-
7 tion 45 to the extent that such credit is at-
8 tributable to section 45(e)(10) (relating to
9 Indian coal production facilities),”.

10 (2) CONFORMING AMENDMENT.—Section
11 45(e)(10) is amended by striking subparagraph (D).

12 (e) EFFECTIVE DATES.—

13 (1) EXTENSION.—The amendments made by
14 subsection (a) shall apply to coal produced after De-
15 cember 31, 2014.

16 (2) MODIFICATIONS.—The amendments made
17 by subsections (b) and (c) shall apply to coal pro-
18 duced and sold after December 31, 2015, in taxable
19 years ending after such date.

20 (3) CREDIT ALLOWED AGAINST ALTERNATIVE
21 MINIMUM TAX.—The amendments made by sub-
22 section (d) shall apply to credits determined for tax-
23 able years beginning after December 31, 2015.

1 **SEC. 187. EXTENSION OF CREDITS WITH RESPECT TO FA-**
2 **CILITIES PRODUCING ENERGY FROM CER-**
3 **TAIN RENEWABLE RESOURCES.**

4 (a) IN GENERAL.—The following provisions of sec-
5 tion 45(d) are each amended by striking “January 1,
6 2015” each place it appears and inserting “January 1,
7 2017”:

8 (1) Paragraph (2)(A).

9 (2) Paragraph (3)(A).

10 (3) Paragraph (4)(B).

11 (4) Paragraph (6).

12 (5) Paragraph (7).

13 (6) Paragraph (9).

14 (7) Paragraph (11)(B).

15 (b) EXTENSION OF ELECTION TO TREAT QUALIFIED
16 FACILITIES AS ENERGY PROPERTY.—Section
17 48(a)(5)(C)(ii) is amended by striking “January 1, 2015”
18 and inserting “January 1, 2017”.

19 (c) EFFECTIVE DATES.—The amendments made by
20 this section shall take effect on January 1, 2015.

21 **SEC. 188. EXTENSION OF CREDIT FOR ENERGY-EFFICIENT**
22 **NEW HOMES.**

23 (a) IN GENERAL.—Section 45L(g) is amended by
24 striking “December 31, 2014” and inserting “December
25 31, 2016”.

1 (b) EFFECTIVE DATE.—The amendment made by
2 this section shall apply to homes acquired after December
3 31, 2014.

4 **SEC. 189. EXTENSION OF SPECIAL ALLOWANCE FOR SEC-**
5 **OND GENERATION BIOFUEL PLANT PROP-**
6 **ERTY.**

7 (a) IN GENERAL.—Section 168(l)(2)(D) is amended
8 by striking “January 1, 2015” and inserting “January 1,
9 2017”.

10 (b) EFFECTIVE DATE.—The amendment made by
11 this section shall apply to property placed in service after
12 December 31, 2014.

13 **SEC. 190. EXTENSION OF ENERGY EFFICIENT COMMERCIAL**
14 **BUILDINGS DEDUCTION.**

15 (a) IN GENERAL.—Section 179D(h) is amended by
16 striking “December 31, 2014” and inserting “December
17 31, 2016”.

18 (b) EFFECTIVE DATE.—The amendment made by
19 subsection (a) shall apply to property placed in service
20 after December 31, 2014.

1 **SEC. 191. EXTENSION OF SPECIAL RULE FOR SALES OR DIS-**
2 **POSITIONS TO IMPLEMENT FERC OR STATE**
3 **ELECTRIC RESTRUCTURING POLICY FOR**
4 **QUALIFIED ELECTRIC UTILITIES.**

5 (a) IN GENERAL.—Section 451(i)(3) is amended by
6 striking “January 1, 2015” and inserting “January 1,
7 2017”.

8 (b) EFFECTIVE DATE.—The amendment made by
9 this section shall apply to dispositions after December 31,
10 2014.

11 **SEC. 192. EXTENSION OF EXCISE TAX CREDITS RELATING**
12 **TO ALTERNATIVE FUELS.**

13 (a) EXTENSION OF ALTERNATIVE FUELS EXCISE
14 TAX CREDITS.—

15 (1) IN GENERAL.—Sections 6426(d)(5) and
16 6426(e)(3) are each amended by striking “December
17 31, 2014” and inserting “December 31, 2016”.

18 (2) OUTLAY PAYMENTS FOR ALTERNATIVE
19 FUELS.—Section 6427(e)(6)(C) is amended by strik-
20 ing “December 31, 2014” and inserting “December
21 31, 2016”.

22 (b) EFFECTIVE DATE.—The amendments made by
23 this section shall apply to fuel sold or used after December
24 31, 2014.

25 (c) SPECIAL RULE FOR 2015.—Notwithstanding any
26 other provision of law, in the case of any alternative fuel

1 credit properly determined under section 6426(d) of the
2 Internal Revenue Code of 1986 for the period beginning
3 on January 1, 2015, and ending on December 31, 2015,
4 such credit shall be allowed, and any refund or payment
5 attributable to such credit (including any payment under
6 section 6427(e) of such Code) shall be made, only in such
7 manner as the Secretary of the Treasury (or the Sec-
8 retary's delegate) shall provide. Such Secretary shall issue
9 guidance within 30 days after the date of the enactment
10 of this Act providing for a one-time submission of claims
11 covering periods described in the preceding sentence. Such
12 guidance shall provide for a 180-day period for the sub-
13 mission of such claims (in such manner as prescribed by
14 such Secretary) to begin not later than 30 days after such
15 guidance is issued. Such claims shall be paid by such Sec-
16 retary not later than 60 days after receipt. If such Sec-
17 retary has not paid pursuant to a claim filed under this
18 subsection within 60 days after the date of the filing of
19 such claim, the claim shall be paid with interest from such
20 date determined by using the overpayment rate and meth-
21 od under section 6621 of such Code.

1 **SEC. 193. EXTENSION OF CREDIT FOR NEW QUALIFIED**
2 **FUEL CELL MOTOR VEHICLES.**

3 (a) IN GENERAL.—Section 30B(k)(1) is amended by
4 striking “December 31, 2014” and inserting “December
5 31, 2016”.

6 (b) EFFECTIVE DATE.—The amendment made by
7 this section shall apply to property purchased after De-
8 cember 31, 2014.

9 **TITLE II—PROGRAM INTEGRITY**

10 **SEC. 201. MODIFICATION OF FILING DATES OF RETURNS**
11 **AND STATEMENTS RELATING TO EMPLOYEE**
12 **WAGE INFORMATION AND NONEMPLOYEE**
13 **COMPENSATION TO IMPROVE COMPLIANCE.**

14 (a) IN GENERAL.—Section 6071 is amended by re-
15 designating subsection (c) as subsection (d), and by insert-
16 ing after subsection (b) the following new subsection:

17 “(c) RETURNS AND STATEMENTS RELATING TO EM-
18 PLOYEE WAGE INFORMATION AND NONEMPLOYEE COM-
19 PENSATION.—Forms W-2 and W-3 and any returns or
20 statements required by the Secretary to report non-
21 employee compensation shall be filed on or before January
22 31 of the year following the calendar year to which such
23 returns relate.”.

24 (b) DATE FOR CERTAIN REFUNDS.—Section 6402 is
25 amended by adding at the end the following new sub-
26 section:

1 “(m) EARLIEST DATE FOR CERTAIN REFUNDS.—No
2 credit or refund of an overpayment for a taxable year shall
3 be made to a taxpayer before the 15th day of the second
4 month following the close of such taxable year if a credit
5 is allowed to such taxpayer under section 24 (by reason
6 of subsection (d) thereof) or 32 for such taxable year.”.

7 (c) CONFORMING AMENDMENT.—Section 6071(b) is
8 amended by striking “subparts B and C of part III of
9 this subchapter” and inserting “subpart B of part III of
10 this subchapter (other than returns and statements re-
11 quired to be filed with respect to nonemployee compensa-
12 tion)”.

13 (d) EFFECTIVE DATES.—

14 (1) IN GENERAL.—Except as provided in para-
15 graph (2), the amendments made by this section
16 shall apply to returns and statements relating to cal-
17 endar years beginning after the date of the enact-
18 ment of this Act.

19 (2) DATE FOR CERTAIN REFUNDS.—The
20 amendment made by subsection (b) shall apply to
21 credits or refunds made after December 31, 2016.

1 **SEC. 202. SAFE HARBOR FOR DE MINIMIS ERRORS ON IN-**
2 **FORMATION RETURNS AND PAYEE STATE-**
3 **MENTS.**

4 (a) IN GENERAL.—Section 6721(c) is amended by
5 adding at the end the following new paragraph:

6 “(3) SAFE HARBOR FOR CERTAIN DE MINIMIS
7 ERRORS.—

8 “(A) IN GENERAL.—If, with respect to an
9 information return filed with the Secretary—

10 “(i) there are 1 or more failures de-
11 scribed in subsection (a)(2)(B) relating to
12 an incorrect dollar amount,

13 “(ii) no single amount in error differs
14 from the correct amount by more than
15 \$100, and

16 “(iii) no single amount reported for
17 tax withheld on any information return dif-
18 fers from the correct amount by more than
19 \$25,

20 then no correction shall be required and, for
21 purposes of this section, such return shall be
22 treated as having been filed with all of the cor-
23 rect required information.

24 “(B) EXCEPTION.—Subparagraph (A)
25 shall not apply with respect to any incorrect
26 dollar amount to the extent that such error re-

1 lates to an amount with respect to which an
2 election is made under section 6722(c)(3)(B).

3 “(C) REGULATORY AUTHORITY.—The Sec-
4 retary may issue regulations to prevent the
5 abuse of the safe harbor under this paragraph,
6 including regulations providing that this para-
7 graph shall not apply to the extent necessary to
8 prevent any such abuse.”.

9 (b) FAILURE TO FURNISH CORRECT PAYEE STATE-
10 MENT.—Section 6722(c) is amended by adding at the end
11 the following new paragraph:

12 “(3) SAFE HARBOR FOR CERTAIN DE MINIMIS
13 ERRORS.—

14 “(A) IN GENERAL.—If, with respect to any
15 payee statement—

16 “(i) there are 1 or more failures de-
17 scribed in subsection (a)(2)(B) relating to
18 an incorrect dollar amount,

19 “(ii) no single amount in error differs
20 from the correct amount by more than
21 \$100, and

22 “(iii) no single amount reported for
23 tax withheld on any information return dif-
24 fers from the correct amount by more than
25 \$25,

1 then no correction shall be required and, for
2 purposes of this section, such statement shall be
3 treated as having been filed with all of the cor-
4 rect required information.

5 “(B) EXCEPTION.—Subparagraph (A)
6 shall not apply to any payee statement if the
7 person to whom such statement is required to
8 be furnished makes an election (at such time
9 and in such manner as the Secretary may pre-
10 scribe) that subparagraph (A) not apply with
11 respect to such statement.

12 “(C) REGULATORY AUTHORITY.—The Sec-
13 retary may issue regulations to prevent the
14 abuse of the safe harbor under this paragraph,
15 including regulations providing that this para-
16 graph shall not apply to the extent necessary to
17 prevent any such abuse.”.

18 (c) APPLICATION TO BROKER REPORTING OF
19 BASIS.—Section 6045(g)(2)(B) is amended by adding at
20 the end the following new clause:

21 “(iii) TREATMENT OF UNCORRECTED
22 DE MINIMIS ERRORS.—Except as otherwise
23 provided by the Secretary, the customer’s
24 adjusted basis shall be determined by
25 treating any incorrect dollar amount which

1 is not required to be corrected by reason of
2 section 6721(c)(3) or section 6722(c)(3) as
3 the correct amount.”.

4 (d) CONFORMING AMENDMENTS.—

5 (1) Section 6721(c) is amended by striking
6 “EXCEPTION FOR DE MINIMIS FAILURES TO IN-
7 CLUDE ALL REQUIRED INFORMATION” in the head-
8 ing and inserting “EXCEPTIONS FOR CERTAIN DE
9 MINIMIS FAILURES”.

10 (2) Section 6721(c)(1) is amended by striking
11 “IN GENERAL” in the heading and inserting “EX-
12 CEPTION FOR DE MINIMIS FAILURE TO INCLUDE ALL
13 REQUIRED INFORMATION”.

14 (e) EFFECTIVE DATE.—The amendments made by
15 this section shall apply to returns required to be filed, and
16 payee statements required to be provided, after December
17 31, 2016.

18 **SEC. 203. REQUIREMENTS FOR THE ISSUANCE OF ITINS.**

19 (a) IN GENERAL.—Section 6109 is amended by add-
20 ing at the end the following new subsection:

21 “(i) SPECIAL RULES RELATING TO THE ISSUANCE
22 OF ITINS.—

23 “(1) IN GENERAL.—The Secretary is authorized
24 to issue an individual taxpayer identification number
25 to an individual only if the applicant submits an ap-

1 plication, using such form as the Secretary may re-
2 quire and including the required documentation—

3 “(A) in the case of an applicant not de-
4 scribed in subparagraph (B)—

5 “(i) in person to an employee of the
6 Internal Revenue Service or a community-
7 based certified acceptance agent approved
8 by the Secretary, or

9 “(ii) by mail, pursuant to rules pre-
10 scribed by the Secretary, or

11 “(B) in the case of an applicant who re-
12 sides outside of the United States, by mail or
13 in person to an employee of the Internal Rev-
14 enue Service or a designee of the Secretary at
15 a United States diplomatic mission or consular
16 post.

17 “(2) REQUIRED DOCUMENTATION.—For pur-
18 poses of this subsection—

19 “(A) IN GENERAL.—The term ‘required
20 documentation’ includes such documentation as
21 the Secretary may require that proves the indi-
22 vidual’s identity, foreign status, and residency.

23 “(B) VALIDITY OF DOCUMENTS.—The Sec-
24 retary may accept only original documents or

1 certified copies meeting the requirements of the
2 Secretary.

3 “(3) TERM OF ITIN.—

4 “(A) IN GENERAL.—An individual tax-
5 payer identification number issued after Decem-
6 ber 31, 2012, shall remain in effect unless the
7 individual to whom such number is issued does
8 not file a return of tax (or is not included as
9 a dependent on the return of tax of another
10 taxpayer) for 3 consecutive taxable years. In
11 the case of an individual described in the pre-
12 ceding sentence, such number shall expire on
13 the last day of such third consecutive taxable
14 year.

15 “(B) SPECIAL RULE FOR EXISTING
16 ITINS.—In the case of an individual with re-
17 spect to whom an individual taxpayer identifica-
18 tion number was issued before January 1,
19 2013, such number shall remain in effect until
20 the earlier of—

21 “(i) the applicable date, or

22 “(ii) if the individual does not file a
23 return of tax (or is not included as a de-
24 pendent on the return of tax of another

1 taxpayer) for 3 consecutive taxable years,
2 the earlier of—

3 “(I) the last day of such third
4 consecutive taxable year, or

5 “(II) the last day of the taxable
6 year that includes the date of the en-
7 actment of this subsection.

8 “(C) APPLICABLE DATE.—For purposes of
9 subparagraph (B), the term ‘applicable date’
10 means—

11 “(i) January 1, 2017, in the case of
12 an individual taxpayer identification num-
13 ber issued before January 1, 2008,

14 “(ii) January 1, 2018, in the case of
15 an individual taxpayer identification num-
16 ber issued in 2008,

17 “(iii) January 1, 2019, in the case of
18 an individual taxpayer identification num-
19 ber issued in 2009 or 2010, and

20 “(iv) January 1, 2020, in the case of
21 an individual taxpayer identification num-
22 ber issued in 2011 or 2012.

23 “(4) DISTINGUISHING ITINS ISSUED SOLELY
24 FOR PURPOSES OF TREATY BENEFITS.—The Sec-
25 retary shall implement a system that ensures that

1 individual taxpayer identification numbers issued
2 solely for purposes of claiming tax treaty benefits
3 are used only for such purposes, by distinguishing
4 such numbers from other individual taxpayer identi-
5 fication numbers issued.”.

6 (b) AUDIT BY TIGTA.—Not later than 2 years after
7 the date of the enactment of this Act, and every 2 years
8 thereafter, the Treasury Inspector General for Tax Ad-
9 ministration shall conduct an audit of the program of the
10 Internal Revenue Service for the issuance of individual
11 taxpayer identification numbers pursuant to section
12 6109(i) of the Internal Revenue Code of 1986 (as added
13 by this section) and report the results of such audit to
14 the Committee on Finance of the Senate and the Com-
15 mittee on the Ways and Means of the House of Represent-
16 atives.

17 (c) COMMUNITY-BASED CERTIFIED ACCEPTANCE
18 AGENTS.—The Secretary of the Treasury, or the Sec-
19 retary’s delegate, shall maintain a program for training
20 and approving community-based certified acceptance
21 agents for purposes of section 6109(i)(1)(A)(i) of the In-
22 ternal Revenue Code of 1986 (as added by this section).
23 Persons eligible to be acceptance agents under such pro-
24 gram include—

1 (1) financial institutions (as defined in section
2 265(b)(5) of such Code and the regulations there-
3 under),

4 (2) colleges and universities which are described
5 in section 501(c)(3) of such Code and exempt from
6 taxation under section 501(a) of such Code,

7 (3) Federal agencies (as defined in section
8 6402(h) of such Code),

9 (4) State and local governments, including
10 agencies responsible for vital records,

11 (5) community-based organizations which are
12 described in subsection (c)(3) or (d) of section 501
13 of such Code and exempt from taxation under sec-
14 tion 501(a) of such Code,

15 (6) persons that provide assistance to taxpayers
16 in the preparation of their tax returns, and

17 (7) other persons or categories of persons as
18 authorized by regulations or other guidance of the
19 Secretary of the Treasury.

20 (d) ITIN STUDY.—

21 (1) IN GENERAL.—The Secretary of the Treas-
22 ury, or the Secretary's delegate, shall conduct a
23 study on the effectiveness of the application process
24 for individual taxpayer identification numbers before
25 the implementation of the amendments made by this

1 section, the effects of the amendments made by this
2 section on such application process, the comparative
3 effectiveness of an in-person review process for ap-
4 plication versus other methods of reducing fraud in
5 the ITIN program and improper payments to ITIN
6 holders as a result, and possible administrative and
7 legislative recommendations to improve such process.

8 (2) SPECIFIC REQUIREMENTS.—Such study
9 shall include an evaluation of the following:

10 (A) Possible administrative and legislative
11 recommendations to reduce fraud and improper
12 payments through the use of individual tax-
13 payer identification numbers (hereinafter re-
14 ferred to as “ITINs”).

15 (B) If data supports an in-person initial
16 review of ITIN applications to reduce fraud and
17 improper payments, the administrative and leg-
18 islative steps needed to implement such an in-
19 person initial review of ITIN applications, in
20 conjunction with an expansion of the commu-
21 nity-based certified acceptance agent program
22 under subsection (c), with a goal of
23 transitioning to such a program by 2020.

24 (C) Strategies for more efficient processing
25 of ITIN applications.

1 (D) The acceptance agent program as in
2 existence on the date of the enactment of this
3 Act and ways to expand the geographic avail-
4 ability of agents through the community-based
5 certified acceptance agent program under sub-
6 section (c).

7 (E) Strategies for the Internal Revenue
8 Service to work with other Federal agencies,
9 State and local governments, and other organi-
10 zations and persons described in subsection (c)
11 to encourage participation in the community-
12 based certified acceptance agent program under
13 subsection (c) to facilitate in-person initial re-
14 view of ITIN applications.

15 (F) Typical characteristics (derived from
16 Form W-7 and other sources) of mail applica-
17 tions for ITINs as compared with typical char-
18 acteristics of in-person applications.

19 (G) Typical characteristics (derived from
20 17 Form W-7 and other sources) of ITIN ap-
21 plications before the Internal Revenue Service
22 revised its application procedures in 2012 as
23 compared with typical characteristics of ITIN
24 applications made after such revisions went into
25 effect.

1 (3) REPORT.—The Secretary, or the Secretary’s
2 delegate, shall submit to the Committee on Finance
3 of the Senate and the Committee on Ways and
4 Means of the House of Representatives a report de-
5 tailing the study under paragraph (1) and its find-
6 ings not later than 1 year after the date of the en-
7 actment of this Act.

8 (4) ADMINISTRATIVE STEPS.—The Secretary of
9 the Treasury shall implement any administrative
10 steps identified by the report under paragraph (3)
11 not later than 180 days after submitting such re-
12 port.

13 (e) MATHEMATICAL OR CLERICAL ERROR AUTHOR-
14 ITY.—Paragraph (2) of section 6213(g) of the Internal
15 Revenue Code of 1986 is amended by striking “and” at
16 the end of subparagraph (M), by striking the period at
17 the end of subparagraph (N) and inserting “, and”, and
18 by inserting after subparagraph (N) the following new
19 subparagraph:

20 “(O) the inclusion on a return of an indi-
21 vidual taxpayer identification number issued
22 under section 6109(i) which has expired, been
23 revoked by the Secretary, or is otherwise in-
24 valid.”.

1 (f) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to applications for individual tax-
3 payer identification numbers made after the date of the
4 enactment of this Act.

5 **SEC. 204. PREVENTION OF RETROACTIVE CLAIMS OF**
6 **EARNED INCOME CREDIT AFTER ISSUANCE**
7 **OF SOCIAL SECURITY NUMBER.**

8 (a) IN GENERAL.—Section 32(m) is amended by in-
9 serting “on or before the due date for filing the return
10 for the taxable year” before the period at the end.

11 (b) EFFECTIVE DATE.—

12 (1) IN GENERAL.—Except as provided in para-
13 graph (2), the amendment made by this section shall
14 apply to any return of tax, and any amendment or
15 supplement to any return of tax, which is filed after
16 the date of the enactment of this Act.

17 (2) EXCEPTION FOR TIMELY-FILED 2015 RE-
18 TURNS.—The amendment made by this section shall
19 not apply to any return of tax (other than an
20 amendment or supplement to any return of tax) for
21 any taxable year which includes the date of the en-
22 actment of this Act if such return is filed on or be-
23 fore the due date for such return of tax.

1 **SEC. 205. PREVENTION OF RETROACTIVE CLAIMS OF CHILD**

2 **TAX CREDIT.**

3 (a) QUALIFYING CHILD IDENTIFICATION REQUIRE-
4 MENT.—Section 24(e) is amended by inserting “and such
5 taxpayer identification number was issued on or before the
6 due date for filing such return” before the period at the
7 end.

8 (b) TAXPAYER IDENTIFICATION REQUIREMENT.—
9 Section 24(e), as amended by subsection (a) is amended—

10 (1) by striking “IDENTIFICATION REQUIRE-
11 MENT.—No credit shall be allowed” and inserting
12 the following: “IDENTIFICATION REQUIREMENTS.—

13 “(1) QUALIFYING CHILD IDENTIFICATION RE-
14 QUIREMENT.—No credit shall be allowed”, and

15 (2) by adding at the end the following new
16 paragraph:

17 “(2) TAXPAYER IDENTIFICATION REQUIRE-
18 MENT.—No credit shall be allowed under this section
19 if the identifying number of the taxpayer was issued
20 after the due date for filing the return for the tax-
21 able year.”.

22 (c) EFFECTIVE DATE.—

23 (1) IN GENERAL.—The amendments made by
24 this section shall apply to any return of tax, and any
25 amendment or supplement to any return of tax,

1 which is filed after the date of the enactment of this
2 Act.

3 (2) EXCEPTION FOR TIMELY-FILED 2015 RE-
4 TURNS.—The amendments made by this section
5 shall not apply to any return of tax (other than an
6 amendment or supplement to any return of tax) for
7 any taxable year which includes the date of the en-
8 actment of this Act if such return is filed on or be-
9 fore the due date for such return of tax.

10 **SEC. 206. PREVENTION OF RETROACTIVE CLAIMS OF AMER-**
11 **ICAN OPPORTUNITY TAX CREDIT.**

12 (a) IN GENERAL.—Section 25A(i) is amended—

13 (1) by striking paragraph (6), and

14 (2) by inserting after paragraph (5) the fol-
15 lowing new paragraph:

16 “(6) IDENTIFICATION NUMBERS.—

17 “(A) STUDENT.—The requirements of sub-
18 section (g)(1) shall not be treated as met with
19 respect to the Hope Scholarship Credit unless
20 the individual’s taxpayer identification number
21 was issued on or before the due date for filing
22 the return of tax for the taxable year.

23 “(B) TAXPAYER.—No Hope Scholarship
24 Credit shall be allowed under this section if the
25 identifying number of the taxpayer was issued

1 after the due date for filing the return for the
2 taxable year.”.

3 (b) EFFECTIVE DATES.—

4 (1) IN GENERAL.—Except as provided in para-
5 graph (2), the amendment made by subsection
6 (a)(2) shall apply to any return of tax, and any
7 amendment or supplement to any return of tax,
8 which is filed after the date of the enactment of this
9 Act.

10 (2) EXCEPTION FOR TIMELY-FILED 2015 RE-
11 TURNS.—The amendment made by subsection (a)(2)
12 shall not apply to any return of tax (other than an
13 amendment or supplement to any return of tax) for
14 any taxable year which includes the date of the en-
15 actment of this Act if such return is filed on or be-
16 fore the due date for such return of tax.

17 (3) REPEAL OF DEADWOOD.—The amendment
18 made by subsection (a)(1) shall take effect on the
19 date of the enactment of this Act.

20 **SEC. 207. PROCEDURES TO REDUCE IMPROPER CLAIMS.**

21 (a) DUE DILIGENCE REQUIREMENTS.—Section
22 6695(g) is amended—

23 (1) by striking “section 32” and inserting “sec-
24 tion 24, 25A(a)(1), or 32”, and

1 (2) in the heading by inserting “CHILD TAX
2 CREDIT; AMERICAN OPPORTUNITY TAX CREDIT;
3 AND” before “EARNED INCOME CREDIT”.

4 (b) RETURN PREPARER DUE DILIGENCE STUDY.—

5 (1) IN GENERAL.—The Secretary of the Treas-
6 ury, or his delegate, shall conduct a study of the ef-
7 fectiveness of tax return preparer due diligence re-
8 quirements for claiming the earned income tax credit
9 under section 32 of the Internal Revenue Code of
10 1986, the child tax credit under section 24 of such
11 Code, and the American opportunity tax credit
12 under section 25A(i) of such Code.

13 (2) REQUIREMENTS.—Such study shall include
14 an evaluation of the following:

15 (A) The effectiveness of the questions cur-
16 rently asked as part of the due-diligence re-
17 quirement with respect to minimizing error and
18 fraud.

19 (B) Whether all such questions are nec-
20 essary and support improved compliance.

21 (C) The comparative effectiveness of such
22 questions relative to other means of deter-
23 mining (i) eligibility for these tax credits and
24 (ii) the correct amount of tax credit.

1 (D) Whether due diligence of this type
2 should apply to other methods of tax filing and
3 whether such requirements should vary based
4 on the methods to increase effectiveness.

5 (E) The effectiveness of the preparer pen-
6 alty under section 6695(g) in enforcing the due
7 diligence requirements.

8 (3) REPORT.—The Secretary, or his delegate,
9 shall submit to the Committee on Ways and Means
10 of the House of Representatives and the Committee
11 on Finance of the Senate a report detailing the
12 study and its findings—

13 (A) in the case of the portion of the study
14 that relates to the earned income tax credit, not
15 later than 1 year after the date of enactment of
16 this Act, and

17 (B) in the case of the portions of the study
18 that relate to the child tax credit and the Amer-
19 ican opportunity tax credit, not later than 2
20 years after the date of the enactment of this
21 Act.

22 (c) EFFECTIVE DATE.—The amendment made by
23 this section shall apply to taxable years beginning after
24 December 31, 2015.

1 **SEC. 208. RESTRICTIONS ON TAXPAYERS WHO IMPROP-**
2 **ERLY CLAIMED CREDITS IN PRIOR YEAR.**

3 (a) RESTRICTIONS.—

4 (1) CHILD TAX CREDIT.—Section 24 is amend-
5 ed by adding at the end the following new sub-
6 section:

7 “(g) RESTRICTIONS ON TAXPAYERS WHO IMPROP-
8 ERLY CLAIMED CREDIT IN PRIOR YEAR.—

9 “(1) TAXPAYERS MAKING PRIOR FRAUDULENT
10 OR RECKLESS CLAIMS.—

11 “(A) IN GENERAL.—No credit shall be al-
12 lowed under this section for any taxable year in
13 the disallowance period.

14 “(B) DISALLOWANCE PERIOD.—For pur-
15 poses of subparagraph (A), the disallowance pe-
16 riod is—

17 “(i) the period of 10 taxable years
18 after the most recent taxable year for
19 which there was a final determination that
20 the taxpayer’s claim of credit under this
21 section was due to fraud, and

22 “(ii) the period of 2 taxable years
23 after the most recent taxable year for
24 which there was a final determination that
25 the taxpayer’s claim of credit under this
26 section was due to reckless or intentional

1 disregard of rules and regulations (but not
2 due to fraud).

3 “(2) TAXPAYERS MAKING IMPROPER PRIOR
4 CLAIMS.—In the case of a taxpayer who is denied
5 credit under this section for any taxable year as a
6 result of the deficiency procedures under subchapter
7 B of chapter 63, no credit shall be allowed under
8 this section for any subsequent taxable year unless
9 the taxpayer provides such information as the Sec-
10 retary may require to demonstrate eligibility for
11 such credit.”.

12 (2) AMERICAN OPPORTUNITY TAX CREDIT.—
13 Section 25A(i), as amended by the preceding provi-
14 sions of this Act, is amended by adding at the end
15 the following new paragraph:

16 “(7) RESTRICTIONS ON TAXPAYERS WHO IM-
17 PROPERLY CLAIMED CREDIT IN PRIOR YEAR.—

18 “(A) TAXPAYERS MAKING PRIOR FRAUDU-
19 LENT OR RECKLESS CLAIMS.—

20 “(i) IN GENERAL.—No credit shall be
21 allowed under this section for any taxable
22 year in the disallowance period.

23 “(ii) DISALLOWANCE PERIOD.—For
24 purposes of clause (i), the disallowance pe-
25 riod is—

1 “(I) the period of 10 taxable
2 years after the most recent taxable
3 year for which there was a final deter-
4 mination that the taxpayer’s claim of
5 credit under this section was due to
6 fraud, and

7 “(II) the period of 2 taxable
8 years after the most recent taxable
9 year for which there was a final deter-
10 mination that the taxpayer’s claim of
11 credit under this section was due to
12 reckless or intentional disregard of
13 rules and regulations (but not due to
14 fraud).

15 “(B) TAXPAYERS MAKING IMPROPER
16 PRIOR CLAIMS.—In the case of a taxpayer who
17 is denied credit under this section for any tax-
18 able year as a result of the deficiency proce-
19 dures under subchapter B of chapter 63, no
20 credit shall be allowed under this section for
21 any subsequent taxable year unless the taxpayer
22 provides such information as the Secretary may
23 require to demonstrate eligibility for such cred-
24 it.”.

25 (b) MATH ERROR AUTHORITY.—

1 (1) EARNED INCOME TAX CREDIT.—Section
2 6213(g)(2)(K) is amended by inserting before the
3 comma at the end the following: “or an entry on the
4 return claiming the credit under section 32 for a
5 taxable year for which the credit is disallowed under
6 subsection (k)(1) thereof”.

7 (2) AMERICAN OPPORTUNITY TAX CREDIT AND
8 CHILD TAX CREDIT.—Section 6213(g)(2), as amend-
9 ed by the preceding provisions of this Act, is amend-
10 ed by striking “and” at the end of subparagraph
11 (N), by striking the period at the end of subpara-
12 graph (O), and by inserting after subparagraph (O)
13 the following new subparagraphs:

14 “(P) an omission of information required
15 by section 24(h)(2) or an entry on the return
16 claiming the credit under section 24 for a tax-
17 able year for which the credit is disallowed
18 under subsection (h)(1) thereof, and

19 “(Q) an omission of information required
20 by section 25A(i)(8)(B) or an entry on the re-
21 turn claiming the credit determined under sec-
22 tion 25A(i) for a taxable year for which the
23 credit is disallowed under paragraph (8)(A)
24 thereof.”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 December 31, 2015.

4 **SEC. 209. TREATMENT OF CREDITS FOR PURPOSES OF CER-**
5 **TAIN PENALTIES.**

6 (a) APPLICATION OF UNDERPAYMENT PENALTIES.—
7 Section 6664(a) is amended by adding at the end the fol-
8 lowing: “A rule similar to the rule of section 6211(b)(4)
9 shall apply for purposes of this subsection.”.

10 (b) PENALTY FOR ERRONEOUS CLAIM OF CREDIT
11 MADE APPLICABLE TO EARNED INCOME CREDIT.—Sec-
12 tion 6676(a) is amended by striking “(other than a claim
13 for a refund or credit relating to the earned income credit
14 under section 32)”.

15 (c) REASONABLE CAUSE EXCEPTION FOR ERRO-
16 NEOUS CLAIM FOR REFUND OR CREDIT.—

17 (1) IN GENERAL.—Section 6676(a) is amended
18 by striking “has a reasonable basis” and inserting
19 “is due to reasonable cause”.

20 (2) NONECONOMIC SUBSTANCE TRANS-
21 ACTIONS.—Section 6676(c) is amended by striking
22 “having a reasonable basis” and inserting “due to
23 reasonable cause”.

24 (d) EFFECTIVE DATES.—

1 (1) UNDERPAYMENT PENALTIES.—The amend-
2 ment made by subsection (a) shall apply to—

3 (A) returns filed after the date of the en-
4 actment of this Act, and

5 (B) returns filed on or before such date if
6 the period specified in section 6501 of the In-
7 ternal Revenue Code of 1986 for assessment of
8 the taxes with respect to which such return re-
9 lates has not expired as of such date.

10 (2) PENALTY FOR ERRONEOUS CLAIM OF CRED-
11 IT.—The amendment made by subsection (b) shall
12 apply to claims filed after the date of the enactment
13 of this Act.

14 **SEC. 210. INCREASE THE PENALTY APPLICABLE TO PAID**
15 **TAX PREPARERS WHO ENGAGE IN WILLFUL**
16 **OR RECKLESS CONDUCT.**

17 (a) IN GENERAL.—Section 6694(b)(1)(B) is amend-
18 ed by striking “50 percent” and inserting “75 percent”.

19 (b) EFFECTIVE DATE.—The amendment made by
20 this section shall apply to returns prepared for taxable
21 years ending after the date of the enactment of this Act.

1 **SEC. 211. EMPLOYER IDENTIFICATION NUMBER REQUIRED**
2 **FOR AMERICAN OPPORTUNITY TAX CREDIT.**

3 (a) IN GENERAL.—Section 25A(i)(6), as added by
4 this Act, is amended by adding at the end the following
5 new subparagraph:

6 “(C) INSTITUTION.—No Hope Scholarship
7 Credit shall be allowed under this section unless
8 the taxpayer includes the employer identifica-
9 tion number of any institution to which quali-
10 fied tuition and related expenses were paid with
11 respect to the individual.”.

12 (b) INFORMATION REPORTING.—Section
13 6050S(b)(2) is amended by striking “and” at the end of
14 subparagraph (B), by redesignating subparagraph (C) as
15 subparagraph (D), and by inserting after subparagraph
16 (B) the following new subparagraph:

17 “(C) the employer identification number of
18 the institution, and”.

19 (c) EFFECTIVE DATE.—

20 (1) SUBSECTION (a).—The amendments made
21 by subsection (a) shall apply to taxable years begin-
22 ning after December 31, 2015.

23 (2) SUBSECTION (b).—The amendments made
24 by subsection (b) shall apply to expenses paid after
25 December 31, 2015, for education furnished in aca-
26 demic periods beginning after such date.

1 **SEC. 212. HIGHER EDUCATION INFORMATION REPORTING**
2 **ONLY TO INCLUDE QUALIFIED TUITION AND**
3 **RELATED EXPENSES ACTUALLY PAID.**

4 (a) IN GENERAL.—Section 6050S(b)(2)(B)(i) is
5 amended by striking “or the aggregate amount billed”.

6 (b) EFFECTIVE DATE.—The amendments made by
7 subsection (b) shall apply to expenses paid after December
8 31, 2015, for education furnished in academic periods be-
9 ginning after such date.

10 **TITLE III—MISCELLANEOUS**
11 **PROVISIONS**

12 **Subtitle A—Family Tax Relief**

13 **SEC. 301. EXCLUSION FOR AMOUNTS RECEIVED UNDER**
14 **THE WORK COLLEGES PROGRAM.**

15 (a) IN GENERAL.—Paragraph (2) of section 117(c)
16 is amended by striking “or” at the end of subparagraph
17 (A), by striking the period at the end of subparagraph
18 (B) and inserting “, or”, and by adding at the end the
19 following new subparagraph:

20 “(C) a comprehensive student work-learn-
21 ing-service program (as defined in section
22 448(e) of the Higher Education Act of 1965)
23 operated by a work college (as defined in such
24 section).”.

25 (b) EFFECTIVE DATE.—The amendments made by
26 this section shall apply to amounts received in taxable

1 years beginning after the date of the enactment of this
2 Act.

3 **SEC. 302. IMPROVEMENTS TO SECTION 529 ACCOUNTS.**

4 (a) COMPUTER TECHNOLOGY AND EQUIPMENT PER-
5 MANENTLY ALLOWED AS A QUALIFIED HIGHER EDU-
6 CATION EXPENSE FOR SECTION 529 ACCOUNTS.—

7 (1) IN GENERAL.—Section 529(e)(3)(A)(iii) is
8 amended to read as follows:

9 “(iii) expenses for the purchase of
10 computer or peripheral equipment (as de-
11 fined in section 168(i)(2)(B)), computer
12 software (as defined in section
13 197(e)(3)(B)), or Internet access and re-
14 lated services, if such equipment, software,
15 or services are to be used primarily by the
16 beneficiary during any of the years the
17 beneficiary is enrolled at an eligible edu-
18 cational institution.”.

19 (2) EFFECTIVE DATE.—The amendment made
20 by this subsection shall apply to taxable years begin-
21 ning after December 31, 2014.

22 (b) ELIMINATION OF DISTRIBUTION AGGREGATION
23 REQUIREMENTS.—

24 (1) IN GENERAL.—Section 529(c)(3) is amend-
25 ed by striking subparagraph (D).

1 (2) EFFECTIVE DATE.—The amendment made
2 by this subsection shall apply to distributions after
3 December 31, 2014.

4 (c) RECONTRIBUTION OF REFUNDED AMOUNTS.—

5 (1) IN GENERAL.—Section 529(c)(3), as
6 amended by subsection (b), is amended by adding at
7 the end the following new subparagraph:

8 “(D) SPECIAL RULE FOR CONTRIBUTIONS
9 OF REFUNDED AMOUNTS.—In the case of a
10 beneficiary who receives a refund of any quali-
11 fied higher education expenses from an eligible
12 educational institution, subparagraph (A) shall
13 not apply to that portion of any distribution for
14 the taxable year which is recontributed to a
15 qualified tuition program of which such indi-
16 vidual is a beneficiary, but only to the extent
17 such recontribution is made not later than 60
18 days after the date of such refund and does not
19 exceed the refunded amount.”.

20 (2) EFFECTIVE DATE.—

21 (A) IN GENERAL.—The amendment made
22 by this subsection shall apply with respect to
23 refunds of qualified higher education expenses
24 after December 31, 2014.

1 (B) TRANSITION RULE.—In the case of a
2 refund of qualified higher education expenses
3 received after December 31, 2014, and before
4 the date of the enactment of this Act, section
5 529(c)(3)(D) of the Internal Revenue Code of
6 1986 (as added by this subsection) shall be ap-
7 plied by substituting “not later than 60 days
8 after the date of the enactment of this subpara-
9 graph” for “not later than 60 days after the
10 date of such refund”.

11 **SEC. 303. ELIMINATION OF RESIDENCY REQUIREMENT FOR**
12 **QUALIFIED ABLE PROGRAMS.**

13 (a) IN GENERAL.—Section 529A(b)(1) is amended by
14 striking subparagraph (C), by inserting “and” at the end
15 of subparagraph (B), and by redesignating subparagraph
16 (D) as subparagraph (C).

17 (b) CONFORMING AMENDMENTS.—

18 (1) The second sentence of section 529A(d)(3)
19 is amended by striking “and State of residence”.

20 (2) Section 529A(e) is amended by striking
21 paragraph (7).

22 (c) TECHNICAL AMENDMENTS.—

23 (1) Section 529A(d)(4) is amended by striking
24 “section 4” and inserting “section 103”.

1 (2) Section 529A(c)(1)(C)(i) is amended by
2 striking “family member” and inserting “member of
3 the family”.

4 (d) EFFECTIVE DATE.—The amendments made by
5 this section shall apply to taxable years beginning after
6 December 31, 2014.

7 **SEC. 304. EXCLUSION FOR WRONGFULLY INCARCERATED**
8 **INDIVIDUALS.**

9 (a) IN GENERAL.—Part III of subchapter B of chap-
10 ter 1 is amended by inserting before section 140 the fol-
11 lowing new section:

12 **“SEC. 139F. CERTAIN AMOUNTS RECEIVED BY WRONG-**
13 **FULLY INCARCERATED INDIVIDUALS.**

14 “(a) EXCLUSION FROM GROSS INCOME.—In the case
15 of any wrongfully incarcerated individual, gross income
16 shall not include any civil damages, restitution, or other
17 monetary award (including compensatory or statutory
18 damages and restitution imposed in a criminal matter) re-
19 lating to the incarceration of such individual for the cov-
20 ered offense for which such individual was convicted.

21 “(b) WRONGFULLY INCARCERATED INDIVIDUAL.—
22 For purposes of this section, the term ‘wrongfully incar-
23 cerated individual’ means an individual—

24 “(1) who was convicted of a covered offense,

1 “(2) who served all or part of a sentence of im-
2 prisonment relating to that covered offense, and

3 “(3)(A) who was pardoned, granted clemency,
4 or granted amnesty for that covered offense because
5 that individual was innocent of that covered offense,
6 or

7 “(B)(i) for whom the judgment of conviction for
8 that covered offense was reversed or vacated, and

9 “(ii) for whom the indictment, information, or
10 other accusatory instrument for that covered offense
11 was dismissed or who was found not guilty at a new
12 trial after the judgment of conviction for that cov-
13 ered offense was reversed or vacated.

14 “(c) COVERED OFFENSE.—For purposes of this sec-
15 tion, the term ‘covered offense’ means any criminal offense
16 under Federal or State law, and includes any criminal of-
17 fense arising from the same course of conduct as that
18 criminal offense.”.

19 (b) CONFORMING AMENDMENT.—The table of sec-
20 tions for part III of subchapter B of chapter 1 is amended
21 by inserting after the item relating to section 139E the
22 following new item:

 “Sec. 139F. Certain amounts received by wrongfully incarcerated individuals.”.

23 (c) EFFECTIVE DATE.—The amendments made by
24 this section shall apply to taxable years beginning before,
25 on, or after the date of the enactment of this Act.

1 (d) WAIVER OF LIMITATIONS.—If the credit or re-
2 fund of any overpayment of tax resulting from the applica-
3 tion of this Act to a period before the date of enactment
4 of this Act is prevented as of such date by the operation
5 of any law or rule of law (including res judicata), such
6 credit or refund may nevertheless be allowed or made if
7 the claim therefor is filed before the close of the 1-year
8 period beginning on the date of the enactment of this Act.

9 **SEC. 305. CLARIFICATION OF SPECIAL RULE FOR CERTAIN**
10 **GOVERNMENTAL PLANS.**

11 (a) IN GENERAL.—Paragraph (1) of section 105(j)
12 is amended—

13 (1) by striking “the taxpayer” and inserting “a
14 qualified taxpayer”, and

15 (2) by striking “deceased plan participant’s
16 beneficiary” and inserting “deceased employee’s ben-
17 eficiary (other than an individual described in para-
18 graph (3)(B))”.

19 (b) QUALIFIED TAXPAYER.—Subsection (j) of section
20 105 is amended by adding at the end the following new
21 paragraph:

22 “(3) QUALIFIED TAXPAYER.—For purposes of
23 paragraph (1), with respect to an accident or health
24 plan described in paragraph (2), the term ‘qualified
25 taxpayer’ means a taxpayer who is—

1 “(A) an employee, or

2 “(B) the spouse, dependent (as defined for
3 purposes of subsection (b)), or child (as defined
4 for purposes of such subsection) of an em-
5 ployee.”.

6 (c) APPLICATION TO POLITICAL SUBDIVISIONS OF
7 STATES.—Paragraph (2) of section 105(j) is amended—
8 (1) by inserting “or established by or on behalf
9 of a State or political subdivision thereof” after
10 “public retirement system”, and
11 (2) by inserting “or 501(c)(9)” after “section
12 115” in subparagraph (B).

13 (d) EFFECTIVE DATE.—The amendments made by
14 this section shall apply to payments after the date of the
15 enactment of this Act.

16 **SEC. 306. ROLLOVERS PERMITTED FROM OTHER RETIRE-**
17 **MENT PLANS INTO SIMPLE RETIREMENT AC-**
18 **COUNTS.**

19 (a) IN GENERAL.—Section 408(p)(1)(B) is amended
20 by inserting “except in the case of a rollover contribution
21 described in subsection (d)(3)(G) or a rollover contribution
22 otherwise described in subsection (d)(3) or in section
23 402(c), 403(a)(4), 403(b)(8), or 457(e)(16), which is
24 made after the 2-year period described in section

1 72(t)(6),” before “with respect to which the only contribu-
2 tions allowed”.

3 (b) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to contributions made after the
5 date of the enactment of this Act.

6 **SEC. 307. TECHNICAL AMENDMENT RELATING TO ROLL-**
7 **OVER OF CERTAIN AIRLINE PAYMENT**
8 **AMOUNTS.**

9 (a) IN GENERAL.—Section 1106(a) of the FAA Mod-
10 ernization and Reform Act of 2012 (26 U.S.C. 408 note)
11 is amended by adding at the end the following new para-
12 graph:

13 “(6) SPECIAL RULE FOR CERTAIN AIRLINE PAY-
14 MENT AMOUNTS.—In the case of any amount which
15 became an airline payment amount by reason of the
16 amendments made by section 1(b) of Public Law
17 113–243 (26 U.S.C. 408 note), paragraph (1) shall
18 be applied by substituting ‘(or, if later, within the
19 period beginning on December 18, 2014, and ending
20 on the date which is 180 days after the date of en-
21 actment of the Protecting Americans from Tax
22 Hikes Act of 2015)’ for ‘(or, if later, within 180
23 days of the date of the enactment of this Act)’.”.

1 (b) EFFECTIVE DATE.—The amendment made by
2 this section shall take effect as if included in Public Law
3 113–243 (26 U.S.C. 408 note).

4 **SEC. 308. TREATMENT OF EARLY RETIREMENT DISTRIBUTIONS FOR NUCLEAR MATERIALS COURIERS,**
5 **UNITED STATES CAPITOL POLICE, SUPREME**
6 **COURT POLICE, AND DIPLOMATIC SECURITY**
7 **SPECIAL AGENTS.**

9 (a) IN GENERAL.—Section 72(t)(10)(B)(ii), as added
10 by Public Law 114–26, is amended by striking “or any”
11 and inserting “any” and by inserting before the period at
12 the end the following: “, any nuclear materials courier de-
13 scribed in section 8331(27) or 8401(33) of such title, any
14 member of the United States Capitol Police, any member
15 of the Supreme Court Police, or any diplomatic security
16 special agent of the Department of State”.

17 (b) EFFECTIVE DATE.—The amendments made by
18 this section shall apply to distributions after December 31,
19 2015.

20 **SEC. 309. PREVENTION OF EXTENSION OF TAX COLLEC-**
21 **TION PERIOD FOR MEMBERS OF THE ARMED**
22 **FORCES WHO ARE HOSPITALIZED AS A RE-**
23 **SULT OF COMBAT ZONE INJURIES.**

24 (a) IN GENERAL.—Section 7508(e) is amended by
25 adding at the end the following new paragraph:

1 “(3) COLLECTION PERIOD AFTER ASSESSMENT
2 NOT EXTENDED AS A RESULT OF HOSPITALIZA-
3 TION.—With respect to any period of continuous
4 qualified hospitalization described in subsection (a)
5 and the next 180 days thereafter, subsection (a)
6 shall not apply in the application of section 6502.”.

7 (b) EFFECTIVE DATE.—The amendment made by
8 this section shall apply to taxes assessed before, on, or
9 after the date of the enactment of this Act.

10 **Subtitle B—Real Estate Investment** 11 **Trusts**

12 **SEC. 311. RESTRICTION ON TAX-FREE SPINOFFS INVOLV-** 13 **ING REITS.**

14 (a) IN GENERAL.—Section 355 is amended by adding
15 at the end the following new subsection:

16 “(h) RESTRICTION ON DISTRIBUTIONS INVOLVING
17 REAL ESTATE INVESTMENT TRUSTS.—

18 “(1) IN GENERAL.—This section (and so much
19 of section 356 as relates to this section) shall not
20 apply to any distribution if either the distributing
21 corporation or controlled corporation is a real estate
22 investment trust.

23 “(2) EXCEPTIONS FOR CERTAIN SPINOFFS.—

24 “(A) SPINOFFS OF A REAL ESTATE IN-
25 VESTMENT TRUST BY ANOTHER REAL ESTATE

1 INVESTMENT TRUST.—Paragraph (1) shall not
2 apply to any distribution if, immediately after
3 the distribution, the distributing corporation
4 and the controlled corporation are both real es-
5 tate investment trusts.

6 “(B) SPINOFFS OF CERTAIN TAXABLE
7 REIT SUBSIDIARIES.—Paragraph (1) shall not
8 apply to any distribution if—

9 “(i) the distributing corporation has
10 been a real estate investment trust at all
11 times during the 3-year period ending on
12 the date of such distribution,

13 “(ii) the controlled corporation has
14 been a taxable REIT subsidiary (as de-
15 fined in section 856(l)) of the distributing
16 corporation at all times during such pe-
17 riod, and

18 “(iii) the distributing corporation had
19 control (as defined in section 368(c) ap-
20 plied by taking into account stock owned
21 directly or indirectly, including through
22 one or more corporations or partnerships,
23 by the distributing corporation) of the con-
24 trolled corporation at all times during such
25 period.

1 A controlled corporation will be treated as
2 meeting the requirements of clauses (ii) and
3 (iii) if the stock of such corporation was distrib-
4 uted by a taxable REIT subsidiary in a trans-
5 action to which this section (or so much of sec-
6 tion 356 as relates to this section) applies and
7 the assets of such corporation consist solely of
8 the stock or assets of assets held by one or
9 more taxable REIT subsidiaries of the distrib-
10 uting corporation meeting the requirements of
11 clauses (ii) and (iii). For purposes of clause
12 (iii), control of a partnership means ownership
13 of 80 percent of the profits interest and 80 per-
14 cent of the capital interests.”.

15 (b) PREVENTION OF REIT ELECTION FOLLOWING
16 TAX-FREE SPIN OFF.—Section 856(c) is amended by re-
17 designating paragraph (8) as paragraph (9) and by insert-
18 ing after paragraph (7) the following new paragraph:

19 “(8) ELECTION AFTER TAX-FREE REORGANIZA-
20 TION.—If a corporation was a distributing corpora-
21 tion or a controlled corporation (other than a con-
22 trolled corporation with respect to a distribution de-
23 scribed in section 355(h)(2)(A)) with respect to any
24 distribution to which section 355 (or so much of sec-
25 tion 356 as relates to section 355) applied, such cor-

1 poration (and any successor corporation) shall not
2 be eligible to make any election under paragraph (1)
3 for any taxable year beginning before the end of the
4 10-year period beginning on the date of such dis-
5 tribution.”.

6 (c) EFFECTIVE DATE.—The amendments made by
7 this section shall apply to distributions on or after Decem-
8 ber 7, 2015, but shall not apply to any distribution pursu-
9 ant to a transaction described in a ruling request initially
10 submitted to the Internal Revenue Service on or before
11 such date, which request has not been withdrawn and with
12 respect to which a ruling has not been issued or denied
13 in its entirety as of such date.

14 **SEC. 312. REDUCTION IN PERCENTAGE LIMITATION ON AS-**
15 **SETS OF REIT WHICH MAY BE TAXABLE REIT**
16 **SUBSIDIARIES.**

17 (a) IN GENERAL.—Section 856(c)(4)(B)(ii) is
18 amended by striking “25 percent” and inserting “20 per-
19 cent”.

20 (b) EFFECTIVE DATE.—The amendment made by
21 this section shall apply to taxable years beginning after
22 December 31, 2017.

1 **SEC. 313. PROHIBITED TRANSACTION SAFE HARBORS.**

2 (a) ALTERNATIVE 3-YEAR AVERAGING TEST FOR
3 PERCENTAGE OF ASSETS THAT CAN BE SOLD ANNU-
4 ALLY.—

5 (1) IN GENERAL.—Clause (iii) of section
6 857(b)(6)(C) is amended by inserting before the
7 semicolon at the end the following: “, or (IV) the
8 trust satisfies the requirements of subclause (II) ap-
9 plied by substituting ‘20 percent’ for ‘10 percent’
10 and the 3-year average adjusted bases percentage
11 for the taxable year (as defined in subparagraph
12 (G)) does not exceed 10 percent, or (V) the trust
13 satisfies the requirements of subclause (III) applied
14 by substituting ‘20 percent’ for ‘10 percent’ and the
15 3-year average fair market value percentage for the
16 taxable year (as defined in subparagraph (H)) does
17 not exceed 10 percent”.

18 (2) 3-YEAR AVERAGE ADJUSTED BASES AND
19 FAIR MARKET VALUE PERCENTAGES.—Paragraph
20 (6) of section 857(b) is amended by redesignating
21 subparagraphs (G) and (H) as subparagraphs (I)
22 and (J), respectively, and by inserting after subpara-
23 graph (F) the following new subparagraphs:

24 “(G) 3-YEAR AVERAGE ADJUSTED BASES
25 PERCENTAGE.—The term ‘3-year average ad-
26 justed bases percentage’ means, with respect to

1 any taxable year, the ratio (expressed as a per-
2 centage) of—

3 “(i) the aggregate adjusted bases (as
4 determined for purposes of computing
5 earnings and profits) of property (other
6 than sales of foreclosure property or sales
7 to which section 1033 applies) sold during
8 the 3 taxable year period ending with such
9 taxable year, divided by

10 “(ii) the sum of the aggregate ad-
11 justed bases (as so determined) of all of
12 the assets of the trust as of the beginning
13 of each of the 3 taxable years which are
14 part of the period referred to in clause (i).

15 “(H) 3-YEAR AVERAGE FAIR MARKET
16 VALUE PERCENTAGE.—The term ‘3-year aver-
17 age fair market value percentage’ means, with
18 respect to any taxable year, the ratio (expressed
19 as a percentage) of—

20 “(i) the fair market value of property
21 (other than sales of foreclosure property or
22 sales to which section 1033 applies) sold
23 during the 3 taxable year period ending
24 with such taxable year, divided by

1 “(ii) the sum of the fair market value
2 of all of the assets of the trust as of the
3 beginning of each of the 3 taxable years
4 which are part of the period referred to in
5 clause (i).”.

6 (3) CONFORMING AMENDMENTS.—Clause (iv)
7 of section 857(b)(6)(D) is amended by adding “or”
8 at the end of subclause (III) and by adding at the
9 end the following new subclauses:

10 “(IV) the trust satisfies the re-
11 quirements of subclause (II) applied
12 by substituting ‘20 percent’ for ‘10
13 percent’ and the 3-year average ad-
14 justed bases percentage for the tax-
15 able year (as defined in subparagraph
16 (G)) does not exceed 10 percent, or

17 “(V) the trust satisfies the re-
18 quirements of subclause (III) applied
19 by substituting ‘20 percent’ for ‘10
20 percent’ and the 3-year average fair
21 market value percentage for the tax-
22 able year (as defined in subparagraph
23 (H)) does not exceed 10 percent,”.

1 (b) APPLICATION OF SAFE HARBORS INDEPENDENT
2 OF DETERMINATION WHETHER REAL ESTATE ASSET IS
3 INVENTORY PROPERTY.—

4 (1) IN GENERAL.—Subparagraphs (C) and (D)
5 of section 857(b)(6) are each amended by striking
6 “and which is described in section 1221(a)(1)” in
7 the matter preceding clause (i).

8 (2) NO INFERENCE FROM SAFE HARBORS.—
9 Subparagraph (F) of section 857(b)(6) is amended
10 to read as follows:

11 “(F) NO INFERENCE WITH RESPECT TO
12 TREATMENT AS INVENTORY PROPERTY.—The
13 determination of whether property is described
14 in section 1221(a)(1) shall be made without re-
15 gard to this paragraph.”.

16 (c) EFFECTIVE DATES.—

17 (1) IN GENERAL.—The amendments made by
18 subsection (a) shall apply to taxable years beginning
19 after the date of the enactment of this Act.

20 (2) APPLICATION OF SAFE HARBORS.—

21 (A) IN GENERAL.—Except as provided in
22 subparagraph (B), the amendments made by
23 subsection (b) shall take effect as if included in
24 section 3051 of the Housing Assistance Tax
25 Act of 2008.

1 (B) RETROACTIVE APPLICATION OF NO IN-
2 FERENCE NOT APPLICABLE TO CERTAIN TIM-
3 BER PROPERTY PREVIOUSLY TREATED AS NOT
4 INVENTORY PROPERTY.—The amendment made
5 by subsection (b)(2) shall not apply to any sale
6 of property to which section 857(b)(6)(G) of the
7 Internal Revenue Code of 1986 (as in effect on
8 the day before the date of the enactment of this
9 Act) applies.

10 **SEC. 314. REPEAL OF PREFERENTIAL DIVIDEND RULE FOR**
11 **PUBLICLY OFFERED REITS.**

12 (a) IN GENERAL.—Section 562(c) is amended by in-
13 serting “or a publicly offered REIT” after “a publicly of-
14 fered regulated investment company (as defined in section
15 67(c)(2)(B))”.

16 (b) PUBLICLY OFFERED REIT.—Section 562(c), as
17 amended by subsection (a), is amended—

18 (1) by striking “Except in the case of” and in-
19 serting the following:

20 “(1) IN GENERAL.—Except in the case of”, and

21 (2) by adding at the end the following new
22 paragraph:

23 “(2) PUBLICLY OFFERED REIT.—For purposes
24 of this subsection, the term ‘publicly offered REIT’
25 means a real estate investment trust which is re-

1 quired to file annual and periodic reports with the
2 Securities and Exchange Commission under the Se-
3 curities Exchange Act of 1934.”.

4 (c) EFFECTIVE DATE.—The amendments made by
5 this section shall apply to distributions in taxable years
6 beginning after December 31, 2014.

7 **SEC. 315. AUTHORITY FOR ALTERNATIVE REMEDIES TO AD-**
8 **DRESS CERTAIN REIT DISTRIBUTION FAIL-**
9 **URES.**

10 (a) IN GENERAL.—Subsection (e) of section 562 is
11 amended—

12 (1) by striking “In the case of a real estate in-
13 vestment trust” and inserting the following:

14 “(1) DETERMINATION OF EARNINGS AND PROF-
15 ITS FOR PURPOSES OF DIVIDENDS PAID DEDUC-
16 TION.—In the case of a real estate investment
17 trust”, and

18 (2) by adding at the end the following new
19 paragraph:

20 “(2) AUTHORITY TO PROVIDE ALTERNATIVE
21 REMEDIES FOR CERTAIN FAILURES.—In the case of
22 a failure of a distribution by a real estate investment
23 trust to comply with the requirements of subsection
24 (c), the Secretary may provide an appropriate rem-
25 edy to cure such failure in lieu of not considering

1 the distribution to be a dividend for purposes of
2 computing the dividends paid deduction if—

3 “(A) the Secretary determines that such
4 failure is inadvertent or is due to reasonable
5 cause and not due to willful neglect, or

6 “(B) such failure is of a type of failure
7 which the Secretary has identified for purposes
8 of this paragraph as being described in sub-
9 paragraph (A).”.

10 (b) EFFECTIVE DATE.—The amendments made by
11 this section shall apply to distributions in taxable years
12 beginning after December 31, 2015.

13 **SEC. 316. LIMITATIONS ON DESIGNATION OF DIVIDENDS BY**
14 **REITS.**

15 (a) IN GENERAL.—Section 857 is amended by redes-
16 ignating subsection (g) as subsection (h) and by inserting
17 after subsection (f) the following new subsection:

18 “(g) LIMITATIONS ON DESIGNATION OF DIVI-
19 DENDS.—

20 “(1) OVERALL LIMITATION.—The aggregate
21 amount of dividends designated by a real estate in-
22 vestment trust under subsections (b)(3)(C) and
23 (c)(2)(A) with respect to any taxable year may not
24 exceed the dividends paid by such trust with respect
25 to such year. For purposes of the preceding sen-

1 tence, dividends paid after the close of the taxable
2 year described in section 858 shall be treated as
3 paid with respect to such year.

4 “(2) PROPORTIONALITY.—The Secretary may
5 prescribe regulations or other guidance requiring the
6 proportionality of the designation of particular types
7 of dividends among shares or beneficial interests of
8 a real estate investment trust.”.

9 (b) EFFECTIVE DATE.—The amendments made by
10 this section shall apply to distributions in taxable years
11 beginning after December 31, 2015.

12 **SEC. 317. DEBT INSTRUMENTS OF PUBLICLY OFFERED**
13 **REITS AND MORTGAGES TREATED AS REAL**
14 **ESTATE ASSETS.**

15 (a) DEBT INSTRUMENTS OF PUBLICLY OFFERED
16 REITS TREATED AS REAL ESTATE ASSETS.—

17 (1) IN GENERAL.—Subparagraph (B) of section
18 856(c)(5) is amended—

19 (A) by striking “and shares” and inserting
20 “, shares”, and

21 (B) by inserting “, and debt instruments
22 issued by publicly offered REITs” before the
23 period at the end of the first sentence.

24 (2) INCOME FROM NONQUALIFIED DEBT IN-
25 STRUMENTS OF PUBLICLY OFFERED REITS NOT

1 QUALIFIED FOR PURPOSES OF SATISFYING THE 75
2 PERCENT GROSS INCOME TEST.—Subparagraph (H)
3 of section 856(c)(3) is amended by inserting “(other
4 than a nonqualified publicly offered REIT debt in-
5 strument)” after “real estate asset”.

6 (3) 25 PERCENT ASSET LIMITATION ON HOLD-
7 ING OF NONQUALIFIED DEBT INSTRUMENTS OF PUB-
8 LICLY OFFERED REITS.—Subparagraph (B) of sec-
9 tion 856(c)(4) is amended by redesignating clause
10 (iii) as clause (iv) and by inserting after clause (ii)
11 the following new clause:

12 “(iii) not more than 25 percent of the
13 value of its total assets is represented by
14 nonqualified publicly offered REIT debt in-
15 struments, and”.

16 (4) DEFINITIONS RELATED TO DEBT INSTRU-
17 MENTS OF PUBLICLY OFFERED REITS.—Paragraph
18 (5) of section 856(c) is amended by adding at the
19 end the following new subparagraph:

20 “(L) DEFINITIONS RELATED TO DEBT IN-
21 STRUMENTS OF PUBLICLY OFFERED REITS.—

22 “(i) PUBLICLY OFFERED REIT.—The
23 term ‘publicly offered REIT’ has the
24 meaning given such term by section
25 562(c)(2).

1 “(ii) NONQUALIFIED PUBLICLY OF-
2 FERED REIT DEBT INSTRUMENT.—The
3 term ‘nonqualified publicly offered REIT
4 debt instrument’ means any real estate
5 asset which would cease to be a real estate
6 asset if subparagraph (B) were applied
7 without regard to the reference to ‘debt in-
8 struments issued by publicly offered
9 REITs’.”.

10 (b) INTERESTS IN MORTGAGES ON INTERESTS IN
11 REAL PROPERTY TREATED AS REAL ESTATE ASSETS.—
12 Subparagraph (B) of section 856(c)(5) is amended by in-
13 serting “or on interests in real property” after “interests
14 in mortgages on real property”.

15 (c) EFFECTIVE DATE.—The amendments made by
16 this section shall apply to taxable years beginning after
17 December 31, 2015.

18 **SEC. 318. ASSET AND INCOME TEST CLARIFICATION RE-**
19 **GARDING ANCILLARY PERSONAL PROPERTY.**

20 (a) IN GENERAL.—Subsection (c) of section 856, as
21 amended by the preceding provisions of this Act, is amend-
22 ed by redesignating paragraph (9) as paragraph (10) and
23 by inserting after paragraph (8) the following new para-
24 graph:

1 “(9) SPECIAL RULES FOR CERTAIN PERSONAL
2 PROPERTY WHICH IS ANCILLARY TO REAL PROP-
3 PERTY.—

4 “(A) CERTAIN PERSONAL PROPERTY
5 LEASED IN CONNECTION WITH REAL PROP-
6 PERTY.—Personal property shall be treated as a
7 real estate asset for purposes of paragraph
8 (4)(A) to the extent that rents attributable to
9 such personal property are treated as rents
10 from real property under subsection (d)(1)(C).

11 “(B) CERTAIN PERSONAL PROPERTY
12 MORTGAGED IN CONNECTION WITH REAL PROP-
13 PERTY.—In the case of an obligation secured by
14 a mortgage on both real property and personal
15 property, if the fair market value of such per-
16 sonal property does not exceed 15 percent of
17 the total fair market value of all such property,
18 such obligation shall be treated—

19 “(i) for purposes of paragraph (3)(B),
20 as an obligation described therein, and

21 “(ii) for purposes of paragraph
22 (4)(A), as a real estate asset.

23 For purposes of the preceding sentence, the fair
24 market value of all such property shall be deter-
25 mined in the same manner as the fair market

1 value of real property is determined for pur-
2 poses of apportioning interest income between
3 real property and personal property under para-
4 graph (3)(B).”.

5 (b) **EFFECTIVE DATE.**—The amendments made by
6 this section shall apply to taxable years beginning after
7 December 31, 2015.

8 **SEC. 319. HEDGING PROVISIONS.**

9 (a) **MODIFICATION TO PERMIT THE TERMINATION**
10 **OF A HEDGING TRANSACTION USING AN ADDITIONAL**
11 **HEDGING INSTRUMENT.**—Subparagraph (G) of section
12 856(c)(5) is amended by striking “and” at the end of
13 clause (i), by striking the period at the end of clause (ii)
14 and inserting “, and”, and by adding at the end the fol-
15 lowing new clause:

16 “(iii) if—

17 “(I) a real estate investment
18 trust enters into one or more positions
19 described in clause (i) with respect to
20 indebtedness described in clause (i) or
21 one or more positions described in
22 clause (ii) with respect to property
23 which generates income or gain de-
24 scribed in paragraph (2) or (3),

1 “(II) any portion of such indebt-
2 edness is extinguished or any portion
3 of such property is disposed of, and

4 “(III) in connection with such ex-
5 tinguishment or disposition, such
6 trust enters into one or more trans-
7 actions which would be hedging trans-
8 actions described in clause (ii) or (iii)
9 of section 1221(b)(2)(A) with respect
10 to any position referred to in sub-
11 clause (I) if such position were ordi-
12 nary property,

13 any income of such trust from any position
14 referred to in subclause (I) and from any
15 transaction referred to in subclause (III)
16 (including gain from the termination of
17 any such position or transaction) shall not
18 constitute gross income under paragraphs
19 (2) and (3) to the extent that such trans-
20 action hedges such position.”.

21 (b) IDENTIFICATION REQUIREMENTS.—

22 (1) IN GENERAL.—Subparagraph (G) of section
23 856(c)(5), as amended by subsection (a), is amended
24 by striking “and” at the end of clause (ii), by strik-
25 ing the period at the end of clause (iii) and inserting

1 “, and”, and by adding at the end the following new
2 clause:

3 “(iv) clauses (i), (ii), and (iii) shall
4 not apply with respect to any transaction
5 unless such transaction satisfies the identi-
6 fication requirement described in section
7 1221(a)(7) (determined after taking into
8 account any curative provisions provided
9 under the regulations referred to there-
10 in).”.

11 (2) CONFORMING AMENDMENTS.—Subpara-
12 graph (G) of section 856(c)(5) is amended—

13 (A) by striking “which is clearly identified
14 pursuant to section 1221(a)(7)” in clause (i),
15 and

16 (B) by striking “, but only if such trans-
17 action is clearly identified as such before the
18 close of the day on which it was acquired, origi-
19 nated, or entered into (or such other time as
20 the Secretary may prescribe)” in clause (ii).

21 (c) EFFECTIVE DATE.—The amendments made by
22 this section shall apply to taxable years beginning after
23 December 31, 2015.

1 **SEC. 320. MODIFICATION OF REIT EARNINGS AND PROFITS**

2 **CALCULATION TO AVOID DUPLICATE TAX-**

3 **ATION.**

4 (a) EARNINGS AND PROFITS NOT INCREASED BY
5 AMOUNTS ALLOWED IN COMPUTING TAXABLE INCOME IN
6 PRIOR YEARS.—Section 857(d) is amended—

7 (1) by amending paragraph (1) to read as fol-
8 lows:

9 “(1) IN GENERAL.—The earnings and profits of
10 a real estate investment trust for any taxable year
11 (but not its accumulated earnings) shall not be re-
12 duced by any amount which—

13 “(A) is not allowable in computing its tax-
14 able income for such taxable year, and

15 “(B) was not allowable in computing its
16 taxable income for any prior taxable year.”, and

17 (2) by adding at the end the following new
18 paragraphs:

19 “(4) REAL ESTATE INVESTMENT TRUST.—For
20 purposes of this subsection, the term ‘real estate in-
21 vestment trust’ includes a domestic corporation,
22 trust, or association which is a real estate invest-
23 ment trust determined without regard to the require-
24 ments of subsection (a).

25 “(5) SPECIAL RULES FOR DETERMINING EARN-
26 INGS AND PROFITS FOR PURPOSES OF THE DEDUC-

1 TION FOR DIVIDENDS PAID.—For special rules for
2 determining the earnings and profits of a real estate
3 investment trust for purposes of the deduction for
4 dividends paid, see section 562(e)(1).”.

5 (b) EXCEPTION FOR PURPOSES OF DETERMINING
6 DIVIDENDS PAID DEDUCTION.—Section 562(e)(1), as
7 amended by the preceding provisions of this Act, is amend-
8 ed by striking “deduction, the earnings” and all that fol-
9 lows and inserting the following: “deduction—

10 “(A) the earnings and profits of such trust
11 for any taxable year (but not its accumulated
12 earnings) shall be increased by the amount of
13 gain (if any) on the sale or exchange of real
14 property which is taken into account in deter-
15 mining the taxable income of such trust for
16 such taxable year (and not otherwise taken into
17 account in determining such earnings and prof-
18 its), and

19 “(B) section 857(d)(1) shall be applied
20 without regard to subparagraph (B) thereof.”.

21 (c) EFFECTIVE DATE.—The amendments made by
22 this section shall apply to taxable years beginning after
23 December 31, 2015.

1 **SEC. 321. TREATMENT OF CERTAIN SERVICES PROVIDED**
2 **BY TAXABLE REIT SUBSIDIARIES.**

3 (a) TAXABLE REIT SUBSIDIARIES TREATED IN
4 SAME MANNER AS INDEPENDENT CONTRACTORS FOR
5 CERTAIN PURPOSES.—

6 (1) MARKETING AND DEVELOPMENT EXPENSES
7 UNDER RENTAL PROPERTY SAFE HARBOR.—Clause
8 (v) of section 857(b)(6)(C) is amended by inserting
9 “or a taxable REIT subsidiary” before the period at
10 the end.

11 (2) MARKETING EXPENSES UNDER TIMBER
12 SAFE HARBOR.—Clause (v) of section 857(b)(6)(D)
13 is amended by striking “, in the case of a sale on
14 or before the termination date,”.

15 (3) FORECLOSURE PROPERTY GRACE PERIOD.—
16 Subparagraph (C) of section 856(e)(4) is amended
17 by inserting “or through a taxable REIT subsidiary”
18 after “receive any income”.

19 (b) TAX ON REDETERMINED TRS SERVICE IN-
20 COME.—

21 (1) IN GENERAL.—Subparagraph (A) of section
22 857(b)(7) is amended by striking “and excess inter-
23 est” and inserting “excess interest, and redeter-
24 mined TRS service income”.

25 (2) REDETERMINED TRS SERVICE INCOME.—
26 Paragraph (7) of section 857(b) is amended by re-

1 designating subparagraphs (E) and (F) as subpara-
2 graphs (F) and (G), respectively, and inserting after
3 subparagraph (D) the following new subparagraph:

4 “(E) REDETERMINED TRS SERVICE IN-
5 COME.—

6 “(i) IN GENERAL.—The term ‘redeter-
7 mined TRS service income’ means gross
8 income of a taxable REIT subsidiary of a
9 real estate investment trust attributable to
10 services provided to, or on behalf of, such
11 trust (less deductions properly allocable
12 thereto) to the extent the amount of such
13 income (less such deductions) would (but
14 for subparagraph (F)) be increased on dis-
15 tribution, apportionment, or allocation
16 under section 482.

17 “(ii) COORDINATION WITH REDETER-
18 MINED RENTS.—Clause (i) shall not apply
19 with respect to gross income attributable
20 to services furnished or rendered to a ten-
21 ant of the real estate investment trust (or
22 to deductions properly allocable thereto).”.

23 (3) CONFORMING AMENDMENTS.—Subpara-
24 graphs (B)(i) and (C) of section 857(b)(7) are each

1 amended by striking “subparagraph (E)” and insert-
2 ing “subparagraph (F)”.

3 (c) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to taxable years beginning after
5 December 31, 2015.

6 **SEC. 322. EXCEPTION FROM FIRPTA FOR CERTAIN STOCK**
7 **OF REITS.**

8 (a) MODIFICATIONS OF OWNERSHIP RULES.—

9 (1) IN GENERAL.—Section 897 is amended by
10 adding at the end the following new subsection:

11 “(k) SPECIAL RULES RELATING TO REAL ESTATE
12 INVESTMENT TRUSTS.—

13 “(1) INCREASE IN PERCENTAGE OWNERSHIP
14 FOR EXCEPTIONS FOR PERSONS HOLDING PUBLICLY
15 TRADED STOCK.—

16 “(A) DISPOSITIONS.—In the case of any
17 disposition of stock in a real estate investment
18 trust, paragraphs (3) and (6)(C) of subsection
19 (c) shall each be applied by substituting ‘more
20 than 10 percent’ for ‘more than 5 percent’.

21 “(B) DISTRIBUTIONS.—In the case of any
22 distribution from a real estate investment trust,
23 subsection (h)(1) shall be applied by sub-
24 stituting ‘10 percent’ for ‘5 percent’.

1 “(2) STOCK HELD BY QUALIFIED SHARE-
2 HOLDERS NOT TREATED AS USRPI.—

3 “(A) IN GENERAL.—Except as provided in
4 subparagraph (B)—

5 “(i) stock of a real estate investment
6 trust which is held directly (or indirectly
7 through 1 or more partnerships) by a
8 qualified shareholder shall not be treated
9 as a United States real property interest,
10 and

11 “(ii) notwithstanding subsection
12 (h)(1), any distribution to a qualified
13 shareholder shall not be treated as gain
14 recognized from the sale or exchange of a
15 United States real property interest to the
16 extent the stock of the real estate invest-
17 ment trust held by such qualified share-
18 holder is not treated as a United States
19 real property interest under clause (i).

20 “(B) EXCEPTION.—In the case of a quali-
21 fied shareholder with 1 or more applicable in-
22 vestors—

23 “(i) subparagraph (A)(i) shall not
24 apply to so much of the stock of a real es-
25 tate investment trust held by a qualified

1 shareholder as bears the same ratio to the
2 value of the interests (other than interests
3 held solely as a creditor) held by such ap-
4 plicable investors in the qualified share-
5 holder bears to value of all interests (other
6 than interests held solely as a creditor) in
7 the qualified shareholder, and

8 “(ii) a percentage equal to the ratio
9 determined under clause (i) of the amounts
10 realized by the qualified shareholder with
11 respect to any disposition of stock in the
12 real estate investment trust or with respect
13 to any distribution from the real estate in-
14 vestment trust attributable to gain from
15 sales or exchanges of a United States real
16 property interest shall be treated as
17 amounts realized from the disposition of
18 United States real property interests.

19 “(C) SPECIAL RULE FOR CERTAIN DIS-
20 TRIBUTIONS TREATED AS SALE OR EX-
21 CHANGE.—If a distribution by a real estate in-
22 vestment trust is treated as a sale or exchange
23 of stock under section 301(c)(3), 302, or 331
24 with respect to a qualified shareholder—

1 “(i) in the case of an applicable inves-
2 tor, subparagraph (B) shall apply with re-
3 spect to such distribution, and

4 “(ii) in the case of any other person,
5 such distribution shall be treated under
6 section 857(b)(3)(F) as a dividend from a
7 real estate investment trust notwith-
8 standing any other provision of this title.

9 “(D) APPLICABLE INVESTOR.—For pur-
10 poses of this paragraph, the term ‘applicable in-
11 vestor’ means, with respect to any qualified
12 shareholder holding stock in a real estate in-
13 vestment trust, a person (other than a qualified
14 shareholder) which—

15 “(i) holds an interest (other than an
16 interest solely as a creditor) in such quali-
17 fied shareholder, and

18 “(ii) holds more than 10 percent of
19 the stock of such real estate investment
20 trust (whether or not by reason of the per-
21 son’s ownership interest in the qualified
22 shareholder).

23 “(E) CONSTRUCTIVE OWNERSHIP
24 RULES.—For purposes of subparagraphs (B)(i)
25 and (C) and paragraph (4), the constructive

1 ownership rules under subsection (c)(6)(C) shall
2 apply.

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

5 “(A) IN GENERAL.—The term ‘qualified
6 shareholder’ means a foreign person which—

7 “(i)(I) is eligible for benefits of a com-
8 prehensive income tax treaty with the
9 United States which includes an exchange
10 of information program and the principal
11 class of interests of which is listed and reg-
12 ularly traded on 1 or more recognized
13 stock exchanges (as defined in such com-
14 prehensive income tax treaty), or

15 “(II) is a foreign partnership that is
16 created or organized under foreign law as
17 a limited partnership in a jurisdiction that
18 has an agreement for the exchange of in-
19 formation with respect to taxes with the
20 United States and has a class of limited
21 partnership units which is regularly traded
22 on the New York Stock Exchange or
23 Nasdaq Stock Market and such class of
24 limited partnership units value is greater

1 than 50 percent of the value of all the
2 partnership units,

3 “(ii) is a qualified collective invest-
4 ment vehicle, and

5 “(iii) maintains records on the iden-
6 tity of each person who, at any time during
7 the foreign person’s taxable year, holds di-
8 rectly 5 percent or more of the class of in-
9 terest described in subclause (I) or (II) of
10 clause (i), as the case may be.

11 “(B) QUALIFIED COLLECTIVE INVEST-
12 MENT VEHICLE.—For purposes of this sub-
13 section, the term ‘qualified collective investment
14 vehicle’ means a foreign person—

15 “(i) which, under the comprehensive
16 income tax treaty described in subpara-
17 graph (A)(i), is eligible for a reduced rate
18 of withholding with respect to ordinary
19 dividends paid by a real estate investment
20 trust even if such person holds more than
21 10 percent of the stock of such real estate
22 investment trust,

23 “(ii) which—

24 “(I) is a publicly traded partner-
25 ship (as defined in section 7704(b)) to

1 which subsection (a) of section 7704
2 does not apply,

3 “(II) is a withholding foreign
4 partnership for purposes of chapters
5 3, 4, and 61,

6 “(III) if such foreign partnership
7 were a United States corporation,
8 would be a United States real prop-
9 erty holding corporation (determined
10 without regard to paragraph (1)) at
11 any time during the 5-year period
12 ending on the date of disposition of,
13 or distribution with respect to, such
14 partnership’s interests in a real estate
15 investment trust, or

16 “(iii) which is designated as a quali-
17 fied collective investment vehicle by the
18 Secretary and is either—

19 “(I) fiscally transparent within
20 the meaning of section 894, or

21 “(II) required to include divi-
22 dends in its gross income, but entitled
23 to a deduction for distributions to per-
24 sons holding interests (other than in-

1 terests solely as a creditor) in such
2 foreign person.

3 “(4) PARTNERSHIP ALLOCATIONS.—

4 “(A) IN GENERAL.—For the purposes of
5 this subsection, in the case of an applicable in-
6 vestor who is a nonresident alien individual or
7 a foreign corporation and is a partner in a part-
8 nership that is a qualified shareholder, if such
9 partner’s proportionate share of USRPI gain
10 for the taxable year exceeds such partner’s dis-
11 tributive share of USRPI gain for the taxable
12 year, then

13 “(i) such partner’s distributive share
14 of the amount of gain taken into account
15 under subsection (a)(1) by the partner for
16 the taxable year (determined without re-
17 gard to this paragraph) shall be increased
18 by the amount of such excess, and

19 “(ii) such partner’s distributive share
20 of items of income or gain for the taxable
21 year that are not treated as gain taken
22 into account under subsection (a)(1) (de-
23 termined without regard to this paragraph)
24 shall be decreased (but not below zero) by
25 the amount of such excess.

1 “(B) USRPI GAIN.—For the purposes of
2 this paragraph, the term ‘USRPI gain’ means
3 the excess (if any) of—

4 “(i) the sum of—

5 “(I) any gain recognized from
6 the disposition of a United States real
7 property interest, and

8 “(II) any distribution by a real
9 estate investment trust that is treated
10 as gain recognized from the sale or
11 exchange of a United States real
12 property interest, over

13 “(ii) any loss recognized from the dis-
14 position of a United States real property
15 interest.

16 “(C) PROPORTIONATE SHARE OF USRPI
17 GAIN.—For purposes of this paragraph, an ap-
18 plicable investor’s proportionate share of
19 USRPI gain shall be determined on the basis of
20 such investor’s share of partnership items of in-
21 come or gain (excluding gain allocated under
22 section 704(c)), whichever results in the largest
23 proportionate share. If the investor’s share of
24 partnership items of income or gain (excluding
25 gain allocated under section 704(c)) may vary

1 during the period such investor is a partner in
2 the partnership, such share shall be the highest
3 share such investor may receive.”.

4 (2) CONFORMING AMENDMENTS.—

5 (A) Section 897(c)(1)(A) is amended by in-
6 serting “or subsection (k)” after “subparagraph
7 (B)” in the matter preceding clause (i).

8 (B) Section 857(b)(3)(F) is amended by
9 inserting “or subparagraph (A)(ii) or (C) of
10 section 897(k)(2)” after “897(h)(1)”.

11 (b) DETERMINATION OF DOMESTIC CONTROL.—

12 (1) SPECIAL OWNERSHIP RULES.—

13 (A) IN GENERAL.—Section 897(h)(4) is
14 amended by adding at the end the following
15 new subparagraph:

16 “(E) SPECIAL OWNERSHIP RULES.—For
17 purposes of determining the holder of stock
18 under subparagraphs (B) and (C)—

19 “(i) in the case of any class of stock
20 of the qualified investment entity which is
21 regularly traded on an established securi-
22 ties market in the United States, a person
23 holding less than 5 percent of such class of
24 stock at all times during the testing period
25 shall be treated as a United States person

1 unless the qualified investment entity has
2 actual knowledge that such person is not a
3 United States person,

4 “(ii) any stock in the qualified invest-
5 ment entity held by another qualified in-
6 vestment entity—

7 “(I) any class of stock of which
8 is regularly traded on an established
9 securities market, or

10 “(II) which is a regulated invest-
11 ment company which issues redeem-
12 able securities (within the meaning of
13 section 2 of the Investment Company
14 Act of 1940),

15 shall be treated as held by a foreign per-
16 son, except that if such other qualified in-
17 vestment entity is domestically controlled
18 (determined after application of this sub-
19 paragraph), such stock shall be treated as
20 held by a United States person, and

21 “(iii) any stock in the qualified invest-
22 ment entity held by any other qualified in-
23 vestment entity not described in subclause
24 (I) or (II) of clause (ii) shall only be treat-
25 ed as held by a United States person in

1 proportion to the stock of such other quali-
2 fied investment entity which is (or is treat-
3 ed under clause (ii) or (iii) as) held by a
4 United States person.”.

5 (B) CONFORMING AMENDMENT.—The
6 heading for paragraph (4) of section 897(h) is
7 amended by inserting “AND SPECIAL RULES”
8 after “DEFINITIONS”.

9 (2) TECHNICAL AMENDMENT.—Clause (ii) of
10 section 897(h)(4)(A) is amended by inserting “and
11 for purposes of determining whether a real estate in-
12 vestment trust is a domestically controlled qualified
13 investment entity under this subsection” after “real
14 estate investment trust”.

15 (c) EFFECTIVE DATES.—

16 (1) IN GENERAL.—The amendments made by
17 subsection (a) shall take effect on the date of enact-
18 ment and shall apply to—

19 (A) any disposition on and after the date
20 of the enactment of this Act, and

21 (B) any distribution by a real estate in-
22 vestment trust on or after the date of the en-
23 actment of this Act which is treated as a deduc-
24 tion for a taxable year of such trust ending
25 after such date.

1 (2) DETERMINATION OF DOMESTIC CONTROL.—

2 The amendments made by subsection (b)(1) shall
3 take effect on the date of the enactment of this Act.

4 (3) TECHNICAL AMENDMENT.—The amendment
5 made by subsection (b)(2) shall take effect on Janu-
6 ary 1, 2015.

7 **SEC. 323. EXCEPTION FOR INTERESTS HELD BY FOREIGN**
8 **RETIREMENT OR PENSION FUNDS.**

9 (a) IN GENERAL.—Section 897, as amended by the
10 preceding provisions of this Act, is amended by adding at
11 the end the following new subsection:

12 “(1) EXCEPTION FOR INTERESTS HELD BY FOREIGN
13 PENSION FUNDS.—

14 “(1) IN GENERAL.—This section shall not apply
15 to any United States real property interest held di-
16 rectly (or indirectly through 1 or more partnerships)
17 by, or to any distribution received from a real estate
18 investment trust by—

19 “(A) a qualified foreign pension fund, or

20 “(B) any entity all of the interests of
21 which are held by a qualified foreign pension
22 fund.

23 “(2) QUALIFIED FOREIGN PENSION FUND.—

24 For purposes of this subsection, the term ‘qualified

1 foreign pension fund’ means any trust, corporation,
2 or other organization or arrangement—

3 “(A) which is created or organized under
4 the law of a country other than the United
5 States,

6 “(B) which is established to provide retire-
7 ment or pension benefits to participants or
8 beneficiaries that are current or former employ-
9 ees (or persons designated by such employees)
10 of one or more employers in consideration for
11 services rendered,

12 “(C) which does not have a single partici-
13 pant or beneficiary with a right to more than
14 five percent of its assets or income,

15 “(D) which is subject to government regu-
16 lation and provides annual information report-
17 ing about its beneficiaries to the relevant tax
18 authorities in the country in which it is estab-
19 lished or operates, and

20 “(E) with respect to which, under the laws
21 of the country in which it is established or oper-
22 ates—

23 “(i) contributions to such trust, cor-
24 poration, organization, or arrangement
25 which would otherwise be subject to tax

1 under such laws are deductible or excluded
2 from the gross income of such entity or
3 taxed at a reduced rate, or

4 “(ii) taxation of any investment in-
5 come of such trust, corporation, organiza-
6 tion or arrangement is deferred or such in-
7 come is taxed at a reduced rate.

8 “(3) REGULATIONS.—The Secretary shall pre-
9 scribe such regulations as may be necessary or ap-
10 propriate to carry out the purposes of this sub-
11 section.”.

12 (b) EXEMPTION FROM WITHHOLDING.—Section
13 1445(f)(3) is amended by striking “any person” and all
14 that follows and inserting the following: “any person other
15 than—

16 “(A) a United States person, and

17 “(B) except as otherwise provided by the
18 Secretary, an entity with respect to which sec-
19 tion 897 does not apply by reason of subsection
20 (l) thereof.”.

21 (c) EFFECTIVE DATE.—The amendments made by
22 this section shall apply to dispositions and distributions
23 after the date of the enactment of this Act.

1 **SEC. 324. INCREASE IN RATE OF WITHHOLDING OF TAX ON**
2 **DISPOSITIONS OF UNITED STATES REAL**
3 **PROPERTY INTERESTS.**

4 (a) IN GENERAL.—Subsections (a), (e)(3), (e)(4),
5 and (e)(5) of section 1445 are each amended by striking
6 “10 percent” and inserting “15 percent”.

7 (b) EXCEPTION FOR CERTAIN RESIDENCES.—Sec-
8 tion 1445(c) is amended by adding at the end the fol-
9 lowing new paragraph:

10 “(4) REDUCED RATE OF WITHHOLDING FOR
11 RESIDENCE WHERE AMOUNT REALIZED DOES NOT
12 EXCEED \$1,000,000.—In the case of a disposition—

13 “(A) of property which is acquired by the
14 transferee for use by the transferee as a resi-
15 dence,

16 “(B) with respect to which the amount re-
17 alized for such property does not exceed
18 \$1,000,000, and

19 “(C) to which subsection (b)(5) does not
20 apply,

21 subsection (a) shall be applied by substituting ‘10
22 percent’ for ‘15 percent’.”.

23 (c) EFFECTIVE DATE.—The amendments made by
24 this section shall apply to dispositions after the date which
25 is 60 days after the date of the enactment of this Act.

1 **SEC. 325. INTERESTS IN RICS AND REITS NOT EXCLUDED**
2 **FROM DEFINITION OF UNITED STATES REAL**
3 **PROPERTY INTERESTS.**

4 (a) IN GENERAL.—Section 897(c)(1)(B) is amended
5 by striking “and” at the end of clause (i), by striking the
6 period at the end of clause (ii)(II) and inserting “, and”,
7 and by adding at the end the following new clause:

8 “(iii) neither such corporation nor any
9 predecessor of such corporation was a reg-
10 ulated investment company or a real estate
11 investment trust at any time during the
12 shorter of the periods described in sub-
13 paragraph (A)(ii).”.

14 (b) EFFECTIVE DATE.—The amendment made by
15 this section shall apply to dispositions on or after the date
16 of the enactment of this Act.

17 **SEC. 326. DIVIDENDS DERIVED FROM RICS AND REITS IN-**
18 **ELIGIBLE FOR DEDUCTION FOR UNITED**
19 **STATES SOURCE PORTION OF DIVIDENDS**
20 **FROM CERTAIN FOREIGN CORPORATIONS.**

21 (a) IN GENERAL.—Section 245(a) is amended by
22 adding at the end the following new paragraph:

23 “(12) DIVIDENDS DERIVED FROM RICS AND
24 REITS INELIGIBLE FOR DEDUCTION.—Regulated in-
25 vestment companies and real estate investment

1 trusts shall not be treated as domestic corporations
2 for purposes of paragraph (5)(B).”.

3 (b) EFFECTIVE DATE.—The amendment made by
4 this section shall apply to dividends received from regu-
5 lated investment companies and real estate investment
6 trusts on or after the date of the enactment of this Act.

7 (c) NO INFERENCE.—Nothing contained in this sec-
8 tion or the amendments made by this section shall be con-
9 strued to create any inference with respect to the proper
10 treatment under section 245 of the Internal Revenue Code
11 of 1986 of dividends received from regulated investment
12 companies or real estate investment trusts before the date
13 of the enactment of this Act.

14 **Subtitle C—Additional Provisions**

15 **SEC. 331. DEDUCTIBILITY OF CHARITABLE CONTRIBU-** 16 **TIONS TO AGRICULTURAL RESEARCH ORGA-** 17 **NIZATIONS.**

18 (a) IN GENERAL.—Subparagraph (A) of section
19 170(b)(1) is amended by striking “or” at the end of clause
20 (vii), by striking the comma at the end of clause (viii) and
21 inserting “, or”, and by inserting after clause (viii) the
22 following new clause:

23 “(ix) an agricultural research organi-
24 zation directly engaged in the continuous
25 active conduct of agricultural research (as

1 defined in section 1404 of the Agricultural
2 Research, Extension, and Teaching Policy
3 Act of 1977) in conjunction with a land-
4 grant college or university (as defined in
5 such section) or a non-land grant college of
6 agriculture (as defined in such section),
7 and during the calendar year in which the
8 contribution is made such organization is
9 committed to spend such contribution for
10 such research before January 1 of the fifth
11 calendar year which begins after the date
12 such contribution is made,”.

13 (b) EXPENDITURES TO INFLUENCE LEGISLATION.—
14 Paragraph (4) of section 501(h) is amended by redesign-
15 nating subparagraphs (E) and (F) as subparagraphs (F)
16 and (G), respectively, and by inserting after subparagraph
17 (D) the following new subparagraph:

18 “(E) section 170(b)(1)(A)(ix) (relating to
19 agricultural research organizations),”.

20 (c) EFFECTIVE DATE.—The amendments made by
21 this section shall apply to contributions made on and after
22 the date of the enactment of this Act.

1 **SEC. 332. REMOVAL OF BOND REQUIREMENTS AND EX-**
2 **TENDING FILING PERIODS FOR CERTAIN**
3 **TAXPAYERS WITH LIMITED EXCISE TAX LI-**
4 **ABILITY.**

5 (a) FILING REQUIREMENTS.—Paragraph (4) of sec-
6 tion 5061(d) of the Internal Revenue Code of 1986 is
7 amended—

8 (1) in subparagraph (A)—

9 (A) by striking “In the case of” and in-
10 serting the following:

11 “(i) MORE THAN \$1,000 AND NOT
12 MORE THAN \$50,000 IN TAXES.—Except as
13 provided in clause (ii), in the case of”,

14 (B) by striking “under bond for deferred
15 payment”, and

16 (C) by adding at the end the following new
17 clause:

18 “(ii) NOT MORE THAN \$1,000 IN
19 TAXES.—In the case of any taxpayer who
20 reasonably expects to be liable for not
21 more than \$1,000 in taxes imposed with
22 respect to distilled spirits, wines, and beer
23 under subparts A, C, and D and section
24 7652 for the calendar year and who was
25 liable for not more than \$1,000 in such
26 taxes in the preceding calendar year, the

1 last day for the payment of tax on with-
2 drawals, removals, and entries (and arti-
3 cles brought into the United States from
4 Puerto Rico) shall be the 14th day after
5 the last day of the calendar year.”, and

6 (2) in subparagraph (B)—

7 (A) by striking “Subparagraph (A)” and
8 inserting the following:

9 “(i) EXCEEDS \$50,000 LIMIT.—Sub-
10 paragraph (A)(i)”, and

11 (B) by adding at the end the following new
12 clause:

13 “(ii) EXCEEDS \$1,000 LIMIT.—Sub-
14 paragraph (A)(ii) shall not apply to any
15 taxpayer for any portion of the calendar
16 year following the first date on which the
17 aggregate amount of tax due under sub-
18 parts A, C, and D and section 7652 from
19 such taxpayer during such calendar year
20 exceeds \$1,000, and any tax under such
21 subparts which has not been paid on such
22 date shall be due on the 14th day after the
23 last day of the calendar quarter in which
24 such date occurs.”.

25 (b) BOND REQUIREMENTS.—

1 (1) IN GENERAL.—Section 5551 of such Code
2 is amended—

3 (A) in subsection (a), by striking “No indi-
4 vidual” and inserting “Except as provided
5 under subsection (d), no individual”, and

6 (B) by adding at the end the following new
7 subsection:

8 “(d) REMOVAL OF BOND REQUIREMENTS.—

9 “(1) IN GENERAL.—During any period to which
10 subparagraph (A) of section 5061(d)(4) applies to a
11 taxpayer (determined after application of subpara-
12 graph (B) thereof), such taxpayer shall not be re-
13 quired to furnish any bond covering operations or
14 withdrawals of distilled spirits or wines for non-
15 industrial use or of beer.

16 “(2) SATISFACTION OF BOND REQUIRE-
17 MENTS.—Any taxpayer for any period described in
18 paragraph (1) shall be treated as if sufficient bond
19 has been furnished for purposes of covering oper-
20 ations and withdrawals of distilled spirits or wines
21 for nonindustrial use or of beer for purposes of any
22 requirements relating to bonds under this chapter.”.

23 (2) CONFORMING AMENDMENTS.—

1 (A) BONDS FOR DISTILLED SPIRITS
2 PLANTS.—Section 5173(a) of such Code is
3 amended—

4 (i) in paragraph (1), by striking “No
5 person” and inserting “Except as provided
6 under section 5551(d), no person”, and

7 (ii) in paragraph (2), by striking “No
8 distilled spirits” and inserting “Except as
9 provided under section 5551(d), no dis-
10 tilled spirits”.

11 (B) BONDED WINE CELLARS.—Section
12 5351 of such Code is amended—

13 (i) by striking “Any person” and in-
14 serting the following:

15 “(a) IN GENERAL.—Any person”,

16 (ii) by inserting “, except as provided
17 under section 5551(d),” before “file bond”,

18 (iii) by striking “Such premises shall”
19 and all that follows through the period,
20 and

21 (iv) by adding at the end the following
22 new subsection:

23 “(b) DEFINITIONS.—For purposes of this chapter—

24 “(1) BONDED WINE CELLAR.—The term ‘bond-
25 ed wine cellar’ means any premises described in sub-

1 section (a), including any such premises established
2 by a taxpayer described in section 5551(d).

3 “(2) BONDED WINERY.—At the discretion of
4 the Secretary, any bonded wine cellar that engages
5 in production operations may be designated as a
6 ‘bonded winery’.”.

7 (C) BONDS FOR BREWERIES.—Section
8 5401 of such Code is amended by adding at the
9 end the following new subsection:

10 “(c) EXCEPTION FROM BOND REQUIREMENTS FOR
11 CERTAIN BREWERIES.—Subsection (b) shall not apply to
12 any taxpayer for any period described in section
13 5551(d).”.

14 (c) EFFECTIVE DATE.—The amendments made by
15 this section shall apply to any calendar quarters beginning
16 more than 1 year after the date of the enactment of this
17 Act.

18 **SEC. 333. MODIFICATIONS TO ALTERNATIVE TAX FOR CER-**
19 **TAIN SMALL INSURANCE COMPANIES.**

20 (a) ADDITIONAL REQUIREMENT FOR COMPANIES TO
21 WHICH ALTERNATIVE TAX APPLIES.—

22 (1) ADDED REQUIREMENT.—

23 (A) IN GENERAL.—Subparagraph (A) of
24 section 831(b)(2) is amended—

1 (i) by striking “(including inter-
2 insurers and reciprocal underwriters)”, and

3 (ii) by striking “and” at the end of
4 clause (i), by redesignating clause (ii) as
5 clause (iii), and by inserting after clause
6 (i) the following new clause:

7 “(ii) such company meets the diver-
8 sification requirements of subparagraph
9 (B), and”.

10 (B) DIVERSIFICATION REQUIREMENT.—
11 Paragraph (2) of section 831(b) is amended by
12 redesignating subparagraphs (B) as subpara-
13 graph (C) and by inserting after subparagraph
14 (A) the following new subparagraph:

15 “(B) DIVERSIFICATION REQUIREMENTS.—

16 “(i) IN GENERAL.—An insurance com-
17 pany meets the requirements of this sub-
18 paragraph if—

19 “(I) no more than 20 percent of
20 the net written premiums (or, if
21 greater, direct written premiums) of
22 such company for the taxable year is
23 attributable to any one policyholder,
24 or

1 “(II) such insurance company
2 does not meet the requirement of sub-
3 clause (I) and no person who holds
4 (directly or indirectly) an interest in
5 such insurance company is a specified
6 holder who holds (directly or indi-
7 rectly) aggregate interests in such in-
8 surance company which constitute a
9 percentage of the entire interests in
10 such insurance company which is
11 more than a de minimis percentage
12 higher than the percentage of inter-
13 ests in the specified assets with re-
14 spect to such insurance company held
15 (directly or indirectly) by such speci-
16 fied holder.

17 “(ii) DEFINITIONS.—For purposes of
18 clause (i)(II)—

19 “(I) SPECIFIED HOLDER.—The
20 term ‘specified holder’ means, with re-
21 spect to any insurance company, any
22 individual who holds (directly or indi-
23 rectly) an interest in such insurance
24 company and who is a spouse or lineal
25 descendant (including by adoption) of

1 an individual who holds an interest
2 (directly or indirectly) in the specified
3 assets with respect to such insurance
4 company.

5 “(II) SPECIFIED ASSETS.—The
6 term ‘specified assets’ means, with re-
7 spect to any insurance company, the
8 trades or businesses, rights, or assets
9 with respect to which the net written
10 premiums (or direct written pre-
11 miums) of such insurance company
12 are paid.

13 “(III) INDIRECT INTEREST.—An
14 indirect interest includes any interest
15 held through a trust, estate, partner-
16 ship, or corporation.

17 “(IV) DE MINIMIS.—Except as
18 otherwise provided by the Secretary in
19 regulations or other guidance, 2 per-
20 centage points or less shall be treated
21 as de minimis.”.

22 (C) CONFORMING AMENDMENTS.—The
23 second sentence section 831(b)(2)(A) is amend-
24 ed—

1 (i) by striking “clause (ii)” and in-
2 serting “clause (iii)”, and

3 (ii) by striking “clause (i)” and in-
4 serting “clauses (i) and (ii)”.

5 (2) TREATMENT OF RELATED POLICY-
6 HOLDERS.—Clause (i) of section 831(b)(2)(C), as
7 redesignated by paragraph (1)(B), is amended—

8 (A) by striking “For purposes of subpara-
9 graph (A), in determining” and inserting “For
10 purposes of this paragraph—

11 “(I) in determining”,

12 (B) by striking the period at the end and
13 inserting “, and”, and

14 (C) by adding at the end the following new
15 subclause:

16 “(II) in determining the attribu-
17 tion of premiums to any policyholder
18 under subparagraph (B)(i), all policy-
19 holders which are related (within the
20 meaning of section 267(b) or 707(b))
21 or are members of the same controlled
22 group shall be treated as one policy-
23 holder.”.

24 (3) REPORTING.—Section 831 is amended by
25 redesignating subsection (d) as subsection (e) and by

1 inserting after subsection (c) the following new sub-
2 section:

3 “(d) REPORTING.—Every insurance company for
4 which an election is in effect under subsection (b) for any
5 taxable year shall furnish to the Secretary at such time
6 and in such manner as the Secretary shall prescribe such
7 information for such taxable year as the Secretary shall
8 require with respect to the requirements of subsection
9 (b)(2)(A)(ii).”.

10 (b) INCREASE IN LIMITATION ON PREMIUMS.—

11 (1) IN GENERAL.—Clause (i) of section
12 831(b)(2)(A) is amended by striking “\$1,200,000”
13 and inserting “\$2,200,000”.

14 (2) INFLATION ADJUSTMENT.—Paragraph (2)
15 of section 831(b), as amended by subsection
16 (a)(1)(B), is amended by adding at the end the fol-
17 lowing new subparagraph:

18 “(D) INFLATION ADJUSTMENT.—In the
19 case of any taxable year beginning in a calendar
20 year after 2015, the dollar amount set forth in
21 subparagraph (A)(i) shall be increased by an
22 amount equal to—

23 “(i) such dollar amount, multiplied by

24 “(ii) the cost-of-living adjustment de-
25 termined under section 1(f)(3) for such

1 calendar year by substituting ‘calendar
2 year 2013’ for ‘calendar year 1992’ in sub-
3 paragraph (B) thereof.

4 If the amount as adjusted under the preceding
5 sentence is not a multiple of \$50,000, such
6 amount shall be rounded to the next lowest
7 multiple of \$50,000.”.

8 (c) EFFECTIVE DATE.—The amendments made by
9 this section shall apply to taxable years beginning after
10 December 31, 2016.

11 **SEC. 334. TREATMENT OF TIMBER GAINS.**

12 (a) IN GENERAL.—Section 1201(b) is amended to
13 read as follows:

14 “(b) SPECIAL RATE FOR QUALIFIED TIMBER
15 GAINS.—

16 “(1) IN GENERAL.—If, for any taxable year be-
17 ginning in 2016, a corporation has both a net cap-
18 ital gain and qualified timber gain—

19 “(A) subsection (a) shall apply to such cor-
20 poration for the taxable year without regard to
21 whether the applicable tax rate exceeds 35 per-
22 cent, and

23 “(B) the tax computed under subsection
24 (a)(2) shall be equal to the sum of—

25 “(i) 23.8 percent of the least of—

1 “(I) qualified timber gain,
2 “(II) net capital gain, or
3 “(III) taxable income, plus
4 “(ii) 35 percent of the excess (if any)
5 of taxable income over the sum of the
6 amounts for which a tax was determined
7 under subsection (a)(1) and clause (i).

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

12 “(A) the sum of the taxpayer’s gains de-
13 scribed in subsections (a) and (b) of section 631
14 for such year, over

15 “(B) the sum of the taxpayer’s losses de-
16 scribed in such subsections for such year.

17 For purposes of subparagraphs (A) and (B), only
18 timber held more than 15 years shall be taken into
19 account.”.

20 (b) CONFORMING AMENDMENT.—Section 55(b) is
21 amended by striking paragraph (4).

22 (c) EFFECTIVE DATE.—The amendments made by
23 this section shall apply to taxable years beginning after
24 December 31, 2015.

1 **SEC. 335. MODIFICATION OF DEFINITION OF HARD CIDER.**

2 (a) IN GENERAL.—Section 5041 of the Internal Rev-
3 enue Code of 1986 is amended—

4 (1) in paragraph (6) of subsection (b), by strik-
5 ing “which is a still wine” and all that follows
6 through “alcohol by volume”, and

7 (2) by adding at the end the following new sub-
8 section:

9 “(g) HARD CIDER.—For purposes of subsection
10 (b)(6), the term ‘hard cider’ means a wine—

11 “(1) containing not more than 0.64 gram of
12 carbon dioxide per hundred milliliters of wine, except
13 that the Secretary may by regulations prescribe such
14 tolerances to this limitation as may be reasonably
15 necessary in good commercial practice,

16 “(2) which is derived primarily—

17 “(A) from apples or pears, or

18 “(B) from—

19 “(i) apple juice concentrate or pear
20 juice concentrate, and

21 “(ii) water,

22 “(3) which contains no fruit product or fruit
23 flavoring other than apple or pear, and

24 “(4) which contains at least one-half of 1 per-
25 cent and less than 8.5 percent alcohol by volume.”.

1 (b) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to hard cider removed during cal-
3 endar years beginning after December 31, 2016.

4 **SEC. 336. CHURCH PLAN CLARIFICATION.**

5 (a) APPLICATION OF CONTROLLED GROUP RULES TO
6 CHURCH PLANS.—

7 (1) IN GENERAL.—Section 414(c) is amended—

8 (A) by striking “For purposes” and insert-
9 ing the following:

10 “(1) IN GENERAL.—Except as provided in para-
11 graph (2), for purposes”, and

12 (B) by adding at the end the following new
13 paragraph:

14 “(2) SPECIAL RULES RELATING TO CHURCH
15 PLANS.—

16 “(A) GENERAL RULE.—Except as provided
17 in subparagraphs (B) and (C), for purposes of
18 this subsection and subsection (m), an organi-
19 zation that is otherwise eligible to participate in
20 a church plan shall not be aggregated with an-
21 other such organization and treated as a single
22 employer with such other organization for a
23 plan year beginning in a taxable year unless—

24 “(i) one such organization provides
25 (directly or indirectly) at least 80 percent

1 of the operating funds for the other orga-
2 nization during the preceding taxable year
3 of the recipient organization, and

4 “(ii) there is a degree of common
5 management or supervision between the or-
6 ganizations such that the organization pro-
7 viding the operating funds is directly in-
8 volved in the day-to-day operations of the
9 other organization.

10 “(B) NONQUALIFIED CHURCH-CON-
11 TROLLED ORGANIZATIONS.—Notwithstanding
12 subparagraph (A), for purposes of this sub-
13 section and subsection (m), an organization
14 that is a nonqualified church-controlled organi-
15 zation shall be aggregated with 1 or more other
16 nonqualified church-controlled organizations, or
17 with an organization that is not exempt from
18 tax under section 501, and treated as a single
19 employer with such other organization, if at
20 least 80 percent of the directors or trustees of
21 such other organization are either representa-
22 tives of, or directly or indirectly controlled by,
23 such nonqualified church-controlled organiza-
24 tion. For purposes of this subparagraph, the
25 term ‘nonqualified church-controlled organiza-

1 tion’ means a church-controlled tax-exempt or-
2 ganization described in section 501(c)(3) that is
3 not a qualified church-controlled organization
4 (as defined in section 3121(w)(3)(B)).

5 “(C) PERMISSIVE AGGREGATION AMONG
6 CHURCH-RELATED ORGANIZATIONS.—The
7 church or convention or association of churches
8 with which an organization described in sub-
9 paragraph (A) is associated (within the mean-
10 ing of subsection (e)(3)(D)), or an organization
11 designated by such church or convention or as-
12 sociation of churches, may elect to treat such
13 organizations as a single employer for a plan
14 year. Such election, once made, shall apply to
15 all succeeding plan years unless revoked with
16 notice provided to the Secretary in such manner
17 as the Secretary shall prescribe.

18 “(D) PERMISSIVE DISAGGREGATION OF
19 CHURCH-RELATED ORGANIZATIONS.—For pur-
20 poses of subparagraph (A), in the case of a
21 church plan, an employer may elect to treat
22 churches (as defined in section 403(b)(12)(B))
23 separately from entities that are not churches
24 (as so defined), without regard to whether such
25 entities maintain separate church plans. Such

1 election, once made, shall apply to all suc-
2 ceeding plan years unless revoked with notice
3 provided to the Secretary in such manner as the
4 Secretary shall prescribe.”.

5 (2) CLARIFICATION RELATING TO APPLICATION
6 OF ANTI-ABUSE RULE.—The rule of 26 CFR
7 1.414(c)–5(f) shall continue to apply to each para-
8 graph of section 414(c) of the Internal Revenue
9 Code of 1986, as amended by paragraph (1).

10 (3) EFFECTIVE DATE.—The amendments made
11 by paragraph (1) shall apply to years beginning be-
12 fore, on, or after the date of the enactment of this
13 Act.

14 (b) APPLICATION OF CONTRIBUTION AND FUNDING
15 LIMITATIONS TO 403(b) GRANDFATHERED DEFINED
16 BENEFIT PLANS.—

17 (1) IN GENERAL.—Section 251(e)(5) of the Tax
18 Equity and Fiscal Responsibility Act of 1982 (Public
19 Law 97–248), is amended—

20 (A) by striking “403(b)(2)” and inserting
21 “403(b)”, and

22 (B) by inserting before the period at the
23 end the following: “, and shall be subject to the
24 applicable limitations of section 415(b) of such
25 Code as if it were a defined benefit plan under

1 section 401(a) of such Code (and not to the
2 limitations of section 415(c) of such Code).”.

3 (2) EFFECTIVE DATE.—The amendments made
4 by this subsection shall apply to years beginning be-
5 fore, on, or after the date of the enactment of this
6 Act.

7 (c) AUTOMATIC ENROLLMENT BY CHURCH PLANS.—

8 (1) IN GENERAL.—This subsection shall super-
9 sede any law of a State that relates to wage, salary,
10 or payroll payment, collection, deduction, garnish-
11 ment, assignment, or withholding which would di-
12 rectly or indirectly prohibit or restrict the inclusion
13 in any church plan (as defined in section 414(e) of
14 the Internal Revenue Code of 1986) of an automatic
15 contribution arrangement.

16 (2) DEFINITION OF AUTOMATIC CONTRIBUTION
17 ARRANGEMENT.—For purposes of this subsection,
18 the term “automatic contribution arrangement”
19 means an arrangement—

20 (A) under which a participant may elect to
21 have the plan sponsor or the employer make
22 payments as contributions under the plan on
23 behalf of the participant, or to the participant
24 directly in cash,

1 (B) under which a participant is treated as
2 having elected to have the plan sponsor or the
3 employer make such contributions in an amount
4 equal to a uniform percentage of compensation
5 provided under the plan until the participant
6 specifically elects not to have such contributions
7 made (or specifically elects to have such con-
8 tributions made at a different percentage), and

9 (C) under which the notice and election re-
10 quirements of paragraph (3), and the invest-
11 ment requirements of paragraph (4), are satis-
12 fied.

13 (3) NOTICE REQUIREMENTS.—

14 (A) IN GENERAL.—The plan sponsor of, or
15 plan administrator or employer maintaining, an
16 automatic contribution arrangement shall, with-
17 in a reasonable period before the first day of
18 each plan year, provide to each participant to
19 whom the arrangement applies for such plan
20 year notice of the participant's rights and obli-
21 gations under the arrangement which—

22 (i) is sufficiently accurate and com-
23 prehensive to apprise the participant of
24 such rights and obligations, and

1 (ii) is written in a manner calculated
2 to be understood by the average partici-
3 pant to whom the arrangement applies.

4 (B) ELECTION REQUIREMENTS.—A notice
5 shall not be treated as meeting the require-
6 ments of subparagraph (A) with respect to a
7 participant unless—

8 (i) the notice includes an explanation
9 of the participant's right under the ar-
10 rangement not to have elective contribu-
11 tions made on the participant's behalf (or
12 to elect to have such contributions made at
13 a different percentage),

14 (ii) the participant has a reasonable
15 period of time, after receipt of the expla-
16 nation described in clause (i) and before
17 the first elective contribution is made, to
18 make such election, and

19 (iii) the notice explains how contribu-
20 tions made under the arrangement will be
21 invested in the absence of any investment
22 election by the participant.

23 (4) DEFAULT INVESTMENT.—If no affirmative
24 investment election has been made with respect to
25 any automatic contribution arrangement, contribu-

1 tions to such arrangement shall be invested in a de-
2 fault investment selected with the care, skill, pru-
3 dence, and diligence that a prudent person selecting
4 an investment option would use.

5 (5) EFFECTIVE DATE.—This subsection shall
6 take effect on the date of the enactment of this Act.

7 (d) ALLOW CERTAIN PLAN TRANSFERS AND MERG-
8 ERS.—

9 (1) IN GENERAL.—Section 414 is amended by
10 adding at the end the following new subsection:

11 “(z) CERTAIN PLAN TRANSFERS AND MERGERS.—

12 “(1) IN GENERAL.—Under rules prescribed by
13 the Secretary, except as provided in paragraph (2),
14 no amount shall be includible in gross income by
15 reason of—

16 “(A) a transfer of all or a portion of the
17 accrued benefit of a participant or beneficiary,
18 whether or not vested, from a church plan that
19 is a plan described in section 401(a) or an an-
20 nuity contract described in section 403(b) to an
21 annuity contract described in section 403(b), if
22 such plan and annuity contract are both main-
23 tained by the same church or convention or as-
24 sociation of churches,

1 “(B) a transfer of all or a portion of the
2 accrued benefit of a participant or beneficiary,
3 whether or not vested, from an annuity contract
4 described in section 403(b) to a church plan
5 that is a plan described in section 401(a), if
6 such plan and annuity contract are both main-
7 tained by the same church or convention or as-
8 sociation of churches, or

9 “(C) a merger of a church plan that is a
10 plan described in section 401(a), or an annuity
11 contract described in section 403(b), with an
12 annuity contract described in section 403(b), if
13 such plan and annuity contract are both main-
14 tained by the same church or convention or as-
15 sociation of churches.

16 “(2) LIMITATION.—Paragraph (1) shall not
17 apply to a transfer or merger unless the partici-
18 pant’s or beneficiary’s total accrued benefit imme-
19 diately after the transfer or merger is equal to or
20 greater than the participant’s or beneficiary’s total
21 accrued benefit immediately before the transfer or
22 merger, and such total accrued benefit is nonforfeit-
23 able after the transfer or merger.

24 “(3) QUALIFICATION.—A plan or annuity con-
25 tract shall not fail to be considered to be described

1 in section 401(a) or 403(b) merely because such
2 plan or annuity contract engages in a transfer or
3 merger described in this subsection.

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

6 “(A) CHURCH OR CONVENTION OR ASSO-
7 CIATION OF CHURCHES.—The term ‘church or
8 convention or association of churches’ includes
9 an organization described in subparagraph (A)
10 or (B)(ii) of subsection (e)(3).

11 “(B) ANNUITY CONTRACT.—The term ‘an-
12 nuity contract’ includes a custodial account de-
13 scribed in section 403(b)(7) and a retirement
14 income account described in section 403(b)(9).

15 “(C) ACCRUED BENEFIT.—The term ‘ac-
16 crued benefit’ means—

17 “(i) in the case of a defined benefit
18 plan, the employee’s accrued benefit deter-
19 mined under the plan, and

20 “(ii) in the case of a plan other than
21 a defined benefit plan, the balance of the
22 employee’s account under the plan.”.

23 (2) EFFECTIVE DATE.—The amendment made
24 by this subsection shall apply to transfers or merg-

1 ers occurring after the date of the enactment of this
2 Act.

3 (e) INVESTMENTS BY CHURCH PLANS IN COLLEC-
4 TIVE TRUSTS.—

5 (1) IN GENERAL.—In the case of—

6 (A) a church plan (as defined in section
7 414(e) of the Internal Revenue Code of 1986),
8 including a plan described in section 401(a) of
9 such Code and a retirement income account de-
10 scribed in section 403(b)(9) of such Code, and

11 (B) an organization described in section
12 414(e)(3)(A) of such Code the principal pur-
13 pose or function of which is the administration
14 of such a plan or account,

15 the assets of such plan, account, or organization (in-
16 cluding any assets otherwise permitted to be com-
17 mingled for investment purposes with the assets of
18 such a plan, account, or organization) may be in-
19 vested in a group trust otherwise described in Inter-
20 nal Revenue Service Revenue Ruling 81–100 (as
21 modified by Internal Revenue Service Revenue Rul-
22 ings 2004–67, 2011–1, and 2014–24), or any subse-
23 quent revenue ruling that supersedes or modifies
24 such revenue ruling, without adversely affecting the
25 tax status of the group trust, such plan, account, or

1 organization, or any other plan or trust that invests
2 in the group trust.

3 (2) EFFECTIVE DATE.—This subsection shall
4 apply to investments made after the date of the en-
5 actment of this Act.

6 **Subtitle D—Revenue Provisions**

7 **SEC. 341. UPDATED ASHRAE STANDARDS FOR ENERGY EF-** 8 **FICIENT COMMERCIAL BUILDINGS DEDUC-** 9 **TION.**

10 (a) IN GENERAL.—Paragraph (1) of section 179D(c)
11 is amended by striking “Standard 90.1–2001” each place
12 it appears and inserting “Standard 90.1–2007”.

13 (b) CONFORMING AMENDMENTS.—

14 (1) Paragraph (2) of section 179D(c) is amend-
15 ed to read as follows:

16 “(2) STANDARD 90.1–2007.—The term ‘Stand-
17 ard 90.1–2007’ means Standard 90.1–2007 of the
18 American Society of Heating, Refrigerating, and Air
19 Conditioning Engineers and the Illuminating Engi-
20 neering Society of North America (as in effect on
21 the day before the date of the adoption of Standard
22 90.1–2010 of such Societies).”.

23 (2) Subsection (f) of section 179D is amended
24 by striking “Standard 90.1–2001” each place it ap-

1 appears in paragraphs (1) and (2)(C)(i) and inserting
2 “Standard 90.1–2007”.

3 (3) Paragraph (1) of section 179D(f) is amend-
4 ed—

5 (A) by striking “Table 9.3.1.1” and insert-
6 ing “Table 9.5.1”, and

7 (B) by striking “Table 9.3.1.2” and insert-
8 ing “Table 9.6.1”.

9 (c) EFFECTIVE DATE.—The amendments made by
10 this subsection shall apply to property placed in service
11 after December 31, 2015.

12 **SEC. 342. EXCISE TAX CREDIT EQUIVALENCY FOR**
13 **LIQUIFIED PETROLEUM GAS AND LIQUIFIED**
14 **NATURAL GAS.**

15 (a) IN GENERAL.—Section 6426 is amended by add-
16 ing at the end the following new subsection:

17 “(j) ENERGY EQUIVALENCY DETERMINATIONS FOR
18 LIQUEFIED PETROLEUM GAS AND LIQUEFIED NATURAL
19 GAS.—For purposes of determining any credit under this
20 section, any reference to the number of gallons of an alter-
21 native fuel or the gasoline gallon equivalent of such a fuel
22 shall be treated as a reference to—

23 “(1) in the case of liquefied petroleum gas, the
24 energy equivalent of a gallon of gasoline, as defined
25 in section 4041(a)(2)(C), and

1 “(2) in the case of liquefied natural gas, the en-
2 ergy equivalent of a gallon of diesel, as defined in
3 section 4041(a)(2)(D).”.

4 (b) EFFECTIVE DATE.—The amendments made by
5 this section shall apply to fuel sold or used after December
6 31, 2015.

7 **SEC. 343. EXCLUSION FROM GROSS INCOME OF CERTAIN**
8 **CLEAN COAL POWER GRANTS TO NON-COR-**
9 **PORATE TAXPAYERS.**

10 (a) GENERAL RULE.—In the case of an eligible tax-
11 payer other than a corporation, gross income for purposes
12 of the Internal Revenue Code of 1986 shall not include
13 any amount received under section 402 of the Energy Pol-
14 icy Act of 2005.

15 (b) REDUCTION IN BASIS.—The basis of any prop-
16 erty subject to the allowance for depreciation under the
17 Internal Revenue Code of 1986 which is acquired with any
18 amount to which subsection (a) applies during the 12-
19 month period beginning on the day such amount is re-
20 ceived shall be reduced by an amount equal to such
21 amount. The excess (if any) of such amount over the
22 amount of the reduction under the preceding sentence
23 shall be applied to the reduction (as of the last day of
24 the period specified in the preceding sentence) of the basis
25 of any other property held by the taxpayer. The particular

1 properties to which the reductions required by this sub-
2 section are allocated shall be determined by the Secretary
3 of the Treasury (or the Secretary's delegate) under regula-
4 tions similar to the regulations under section 362(c)(2) of
5 such Code.

6 (c) LIMITATION TO AMOUNTS WHICH WOULD BE
7 CONTRIBUTIONS TO CAPITAL.—Subsection (a) shall not
8 apply to any amount unless such amount, if received by
9 a corporation, would be excluded from gross income under
10 section 118 of the Internal Revenue Code of 1986.

11 (d) ELIGIBLE TAXPAYER.—For purposes of this sec-
12 tion, with respect to any amount received under section
13 402 of the Energy Policy Act of 2005, the term “eligible
14 taxpayer” means a taxpayer that makes a payment to the
15 Secretary of the Treasury (or the Secretary's delegate)
16 equal to 1.18 percent of the amount so received. Such pay-
17 ment shall be made at such time and in such manner as
18 such Secretary (or the Secretary's delegate) shall pre-
19 scribe. In the case of a partnership, such Secretary (or
20 the Secretary's delegate) shall prescribe regulations to de-
21 termine the allocation of such payment amount among the
22 partners.

23 (e) EFFECTIVE DATE.—This section shall apply to
24 amounts received under section 402 of the Energy Policy

1 Act of 2005 in taxable years beginning after December
2 31, 2011.

3 **SEC. 344. CLARIFICATION OF VALUATION RULE FOR EARLY**
4 **TERMINATION OF CERTAIN CHARITABLE RE-**
5 **MAINDER UNITRUSTS.**

6 (a) IN GENERAL.—Section 664(e) is amended—

7 (1) by adding at the end the following: “In the
8 case of the early termination of a trust which is a
9 charitable remainder unitrust by reason of sub-
10 section (d)(3), the valuation of interests in such
11 trust for purposes of this section shall be made
12 under rules similar to the rules of the preceding sen-
13 tence.”, and

14 (2) by striking “FOR PURPOSES OF CHARI-
15 TABLE CONTRIBUTION” in the heading thereof and
16 inserting “OF INTERESTS”.

17 (b) EFFECTIVE DATE.—The amendment made by
18 this section shall apply to terminations of trusts occurring
19 after the date of the enactment of this Act.

20 **SEC. 345. PREVENTION OF TRANSFER OF CERTAIN LOSSES**
21 **FROM TAX INDIFFERENT PARTIES.**

22 (a) IN GENERAL.—Section 267(d) is amended to
23 read as follows:

24 “(d) AMOUNT OF GAIN WHERE LOSS PREVIOUSLY
25 DISALLOWED.—

1 “(1) IN GENERAL.—If—

2 “(A) in the case of a sale or exchange of
3 property to the taxpayer a loss sustained by the
4 transferor is not allowable to the transferor as
5 a deduction by reason of subsection (a)(1), and

6 “(B) the taxpayer sells or otherwise dis-
7 poses of such property (or of other property the
8 basis of which in the taxpayer’s hands is deter-
9 mined directly or indirectly by reference to such
10 property) at a gain,

11 then such gain shall be recognized only to the extent
12 that it exceeds so much of such loss as is properly
13 allocable to the property sold or otherwise disposed
14 of by the taxpayer.

15 “(2) EXCEPTION FOR WASH SALES.—Para-
16 graph (1) shall not apply if the loss sustained by the
17 transferor is not allowable to the transferor as a de-
18 duction by reason of section 1091 (relating to wash
19 sales).

20 “(3) EXCEPTION FOR TRANSFERS FROM TAX
21 INDIFFERENT PARTIES.—Paragraph (1) shall not
22 apply to the extent any loss sustained by the trans-
23 feror (if allowed) would not be taken into account in
24 determining a tax imposed under section 1 or 11 or

1 a tax computed as provided by either of such sec-
2 tions.”.

3 (b) **EFFECTIVE DATE.**—The amendment made by
4 this section shall apply to sales and other dispositions of
5 property acquired after December 31, 2015, by the tax-
6 payer in a sale or exchange to which section 267(a)(1)
7 of the Internal Revenue Code of 1986 applied.

8 **SEC. 346. TREATMENT OF CERTAIN PERSONS AS EMPLOY-**
9 **ERS WITH RESPECT TO MOTION PICTURE**
10 **PROJECTS.**

11 (a) **IN GENERAL.**—Chapter 25 (relating to general
12 provisions relating to employment taxes) is amended by
13 adding at the end the following new section:

14 **“SEC. 3512. TREATMENT OF CERTAIN PERSONS AS EMPLOY-**
15 **ERS WITH RESPECT TO MOTION PICTURE**
16 **PROJECTS.**

17 “(a) **IN GENERAL.**—For purposes of sections
18 3121(a)(1) and 3306(b)(1), remuneration paid to a mo-
19 tion picture project worker by a motion picture project em-
20 ployer during a calendar year shall be treated as remu-
21 nation paid with respect to employment of such worker
22 by such employer during the calendar year. The identity
23 of such employer for such purposes shall be determined
24 as set forth in this section and without regard to the usual

1 common law rules applicable in determining the employer-
2 employee relationship.

3 “(b) DEFINITIONS.—For purposes of this section—

4 “(1) MOTION PICTURE PROJECT EMPLOYER.—

5 The term ‘motion picture project employer’ means
6 any person if—

7 “(A) such person (directly or through af-
8 filiates)—

9 “(i) is a party to a written contract
10 covering the services of motion picture
11 project workers with respect to motion pic-
12 ture projects in the course of a client’s
13 trade or business,

14 “(ii) is contractually obligated to pay
15 remuneration to the motion picture project
16 workers without regard to payment or re-
17 imbursement by any other person,

18 “(iii) controls the payment (within the
19 meaning of section 3401(d)(1)) of remu-
20 nation to the motion picture project
21 workers and pays such remuneration from
22 its own account or accounts,

23 “(iv) is a signatory to one or more
24 collective bargaining agreements with a
25 labor organization (as defined in 29 U.S.C.

1 152(5)) that represents motion picture
2 project workers, and

3 “(v) has treated substantially all mo-
4 tion picture project workers that such per-
5 son pays as employees and not as inde-
6 pendent contractors during such calendar
7 year for purposes of determining employ-
8 ment taxes under this subtitle, and

9 “(B) at least 80 percent of all remunera-
10 tion (to which section 3121 applies) paid by
11 such person in such calendar year is paid to
12 motion picture project workers.

13 “(2) MOTION PICTURE PROJECT WORKER.—
14 The term ‘motion picture project worker’ means any
15 individual who provides services on motion picture
16 projects for clients who are not affiliated with the
17 motion picture project employer.

18 “(3) MOTION PICTURE PROJECT.—The term
19 ‘motion picture project’ means the production of any
20 property described in section 168(f)(3). Such term
21 does not include property with respect to which
22 records are required to be maintained under section
23 2257 of title 18, United States Code.

24 “(4) AFFILIATE; AFFILIATED.—A person shall
25 be treated as an affiliate of, or affiliated with, an-

1 other person if such persons are treated as a single
2 employer under subsection (b) or (c) of section
3 414.”.

4 (b) CLERICAL AMENDMENT.—The table of sections
5 for such chapter 25 is amended by adding at the end the
6 following new item:

“Sec. 3512. Treatment of certain persons as employers with respect to motion
picture projects.”.

7 (c) EFFECTIVE DATE.—The amendments made by
8 this section shall apply to remuneration paid after Decem-
9 ber 31, 2015.

10 (d) NO INFERENCE.—Nothing in the amendments
11 made by this section shall be construed to create any infer-
12 ence on the law before the date of the enactment of this
13 Act.

14 **TITLE IV—TAX ADMINISTRATION**
15 **Subtitle A—Internal Revenue**
16 **Service Reforms**

17 **SEC. 401. DUTY TO ENSURE THAT INTERNAL REVENUE**
18 **SERVICE EMPLOYEES ARE FAMILIAR WITH**
19 **AND ACT IN ACCORD WITH CERTAIN TAX-**
20 **PAYER RIGHTS.**

21 (a) IN GENERAL.—Section 7803(a) is amended by
22 redesignating paragraph (3) as paragraph (4) and by in-
23 serting after paragraph (2) the following new paragraph:

1 “(3) EXECUTION OF DUTIES IN ACCORD WITH
2 TAXPAYER RIGHTS.—In discharging his duties, the
3 Commissioner shall ensure that employees of the In-
4 ternal Revenue Service are familiar with and act in
5 accord with taxpayer rights as afforded by other
6 provisions of this title, including—

7 “(A) the right to be informed,

8 “(B) the right to quality service,

9 “(C) the right to pay no more than the
10 correct amount of tax,

11 “(D) the right to challenge the position of
12 the Internal Revenue Service and be heard,

13 “(E) the right to appeal a decision of the
14 Internal Revenue Service in an independent
15 forum,

16 “(F) the right to finality,

17 “(G) the right to privacy,

18 “(H) the right to confidentiality,

19 “(I) the right to retain representation, and

20 “(J) the right to a fair and just tax sys-
21 tem.”.

22 (b) EFFECTIVE DATE.—The amendments made by
23 this section shall take effect on the date of the enactment
24 of this Act.

1 **SEC. 402. IRS EMPLOYEES PROHIBITED FROM USING PER-**
2 **SONAL EMAIL ACCOUNTS FOR OFFICIAL**
3 **BUSINESS.**

4 No officer or employee of the Internal Revenue Serv-
5 ice may use a personal email account to conduct any offi-
6 cial business of the Government.

7 **SEC. 403. RELEASE OF INFORMATION REGARDING THE STA-**
8 **TUS OF CERTAIN INVESTIGATIONS.**

9 (a) IN GENERAL.—Section 6103(e) is amended by
10 adding at the end the following new paragraph:

11 “(11) DISCLOSURE OF INFORMATION REGARD-
12 ING STATUS OF INVESTIGATION OF VIOLATION OF
13 THIS SECTION.—In the case of a person who pro-
14 vides to the Secretary information indicating a viola-
15 tion of section 7213, 7213A, or 7214 with respect
16 to any return or return information of such person,
17 the Secretary may disclose to such person (or such
18 person’s designee)—

19 “(A) whether an investigation based on the
20 person’s provision of such information has been
21 initiated and whether it is open or closed,

22 “(B) whether any such investigation sub-
23 stantiated such a violation by any individual,
24 and

25 “(C) whether any action has been taken
26 with respect to such individual (including

1 whether a referral has been made for prosecu-
2 tion of such individual).”.

3 (b) **EFFECTIVE DATE.**—The amendment made by
4 this section shall apply to disclosures made on or after
5 the date of the enactment of this Act.

6 **SEC. 404. ADMINISTRATIVE APPEAL RELATING TO AD-**
7 **VERSE DETERMINATIONS OF TAX-EXEMPT**
8 **STATUS OF CERTAIN ORGANIZATIONS.**

9 (a) **IN GENERAL.**—Section 7123 is amended by add-
10 ing at the end of the following:

11 “(c) **ADMINISTRATIVE APPEAL RELATING TO AD-**
12 **VERSE DETERMINATION OF TAX-EXEMPT STATUS OF**
13 **CERTAIN ORGANIZATIONS.**—

14 “(1) **IN GENERAL.**—The Secretary shall pre-
15 scribe procedures under which an organization which
16 claims to be described in section 501(c) may request
17 an administrative appeal (including a conference re-
18 lating to such appeal if requested by the organiza-
19 tion) to the Internal Revenue Service Office of Ap-
20 peals of an adverse determination described in para-
21 graph (2).

22 “(2) **ADVERSE DETERMINATIONS.**—For pur-
23 poses of paragraph (1), an adverse determination is
24 described in this paragraph if such determination is
25 adverse to an organization with respect to—

1 “(A) the initial qualification or continuing
2 qualification of the organization as exempt from
3 tax under section 501(a) or as an organization
4 described in section 170(c)(2),

5 “(B) the initial classification or continuing
6 classification of the organization as a private
7 foundation under section 509(a), or

8 “(C) the initial classification or continuing
9 classification of the organization as a private
10 operating foundation under section
11 4942(j)(3).”.

12 (b) EFFECTIVE DATE.—The amendment made by
13 subsection (a) shall apply to determinations made on or
14 after May 19, 2014.

15 **SEC. 405. ORGANIZATIONS REQUIRED TO NOTIFY SEC-**
16 **RETARY OF INTENT TO OPERATE UNDER**
17 **501(c)(4).**

18 (a) IN GENERAL.—Part I of subchapter F of chapter
19 1 is amended by adding at the end the following new sec-
20 tion:

21 **“SEC. 506. ORGANIZATIONS REQUIRED TO NOTIFY SEC-**
22 **RETARY OF INTENT TO OPERATE UNDER**
23 **501(c)(4).**

24 “(a) IN GENERAL.—An organization described in
25 section 501(c)(4) shall, not later than 60 days after the

1 organization is established, notify the Secretary (in such
2 manner as the Secretary shall by regulation prescribe)
3 that it is operating as such.

4 “(b) CONTENTS OF NOTICE.—The notice required
5 under subsection (a) shall include the following informa-
6 tion:

7 “(1) The name, address, and taxpayer identi-
8 fication number of the organization.

9 “(2) The date on which, and the State under
10 the laws of which, the organization was organized.

11 “(3) A statement of the purpose of the organi-
12 zation.

13 “(c) ACKNOWLEDGMENT OF RECEIPT.—Not later
14 than 60 days after receipt of such a notice, the Secretary
15 shall send to the organization an acknowledgment of such
16 receipt.

17 “(d) EXTENSION FOR REASONABLE CAUSE.—The
18 Secretary may, for reasonable cause, extend the 60-day
19 period described in subsection (a).

20 “(e) USER FEE.—The Secretary shall impose a rea-
21 sonable user fee for submission of the notice under sub-
22 section (a).

23 “(f) REQUEST FOR DETERMINATION.—Upon request
24 by an organization to be treated as an organization de-
25 scribed in section 501(c)(4), the Secretary may issue a de-

1 termination with respect to such treatment. Such request
2 shall be treated for purposes of section 6104 as an applica-
3 tion for exemption from taxation under section 501(a).”.

4 (b) SUPPORTING INFORMATION WITH FIRST RE-
5 TURN.—Section 6033(f) is amended—

6 (1) by striking the period at the end and insert-
7 ing “, and”,

8 (2) by striking “include on the return required
9 under subsection (a) the information” and inserting
10 the following: “include on the return required under
11 subsection (a)—

12 “(1) the information”, and

13 (3) by adding at the end the following new
14 paragraph:

15 “(2) in the case of the first such return filed by
16 such an organization after submitting a notice to the
17 Secretary under section 506(a), such information as
18 the Secretary shall by regulation require in support
19 of the organization’s treatment as an organization
20 described in section 501(c)(4).”.

21 (c) FAILURE TO FILE INITIAL NOTIFICATION.—Sec-
22 tion 6652(c) is amended by redesignating paragraphs (4),
23 (5), and (6) as paragraphs (5), (6), and (7), respectively,
24 and by inserting after paragraph (3) the following new
25 paragraph:

1 “(4) NOTICES UNDER SECTION 506.—

2 “(A) PENALTY ON ORGANIZATION.—In the
3 case of a failure to submit a notice required
4 under section 506(a) (relating to organizations
5 required to notify Secretary of intent to operate
6 as 501(c)(4)) on the date and in the manner
7 prescribed therefor, there shall be paid by the
8 organization failing to so submit \$20 for each
9 day during which such failure continues, but
10 the total amount imposed under this subpara-
11 graph on any organization for failure to submit
12 any one notice shall not exceed \$5,000.

13 “(B) MANAGERS.—The Secretary may
14 make written demand on an organization sub-
15 ject to penalty under subparagraph (A) speci-
16 fying in such demand a reasonable future date
17 by which the notice shall be submitted for pur-
18 poses of this subparagraph. If such notice is not
19 submitted on or before such date, there shall be
20 paid by the person failing to so submit \$20 for
21 each day after the expiration of the time speci-
22 fied in the written demand during which such
23 failure continues, but the total amount imposed
24 under this subparagraph on all persons for fail-

1 ure to submit any one notice shall not exceed
2 \$5,000.”.

3 (d) CLERICAL AMENDMENT.—The table of sections
4 for part I of subchapter F of chapter 1 is amended by
5 adding at the end the following new item:

“Sec. 506. Organizations required to notify Secretary of intent to operate under
501(c)(4).”.

6 (e) LIMITATION.—Notwithstanding any other provi-
7 sion of law, any fees collected pursuant to section 506(e)
8 of the Internal Revenue Code of 1986, as added by sub-
9 section (a), shall not be expended by the Secretary of the
10 Treasury or the Secretary’s delegate unless provided by
11 an appropriations Act.

12 (f) EFFECTIVE DATE.—

13 (1) IN GENERAL.—The amendments made by
14 this section shall apply to organizations which are
15 described in section 501(c)(4) of the Internal Rev-
16 enue Code of 1986 and organized after the date of
17 the enactment of this Act.

18 (2) CERTAIN EXISTING ORGANIZATIONS.—In
19 the case of any other organization described in sec-
20 tion 501(c)(4) of such Code, the amendments made
21 by this section shall apply to such organization only
22 if, on or before the date of the enactment of this
23 Act—

1 (A) such organization has not applied for
2 a written determination of recognition as an or-
3 ganization described in section 501(c)(4) of
4 such Code, and

5 (B) such organization has not filed at least
6 one annual return or notice required under sub-
7 section (a)(1) or (i) (as the case may be) of sec-
8 tion 6033 of such Code.

9 In the case of any organization to which the amend-
10 ments made by this section apply by reason of the
11 preceding sentence, such organization shall submit
12 the notice required by section 506(a) of such Code,
13 as added by this Act, not later than 180 days after
14 the date of the enactment of this Act.

15 **SEC. 406. DECLARATORY JUDGMENTS FOR 501(c)(4) AND**
16 **OTHER EXEMPT ORGANIZATIONS.**

17 (a) IN GENERAL.—Section 7428(a)(1) is amended by
18 striking “or” at the end of subparagraph (C) and by in-
19 serting after subparagraph (D) the following new subpara-
20 graph:

21 “(E) with respect to the initial qualifica-
22 tion or continuing qualification of an organiza-
23 tion as an organization described in section
24 501(c) (other than paragraph (3)) or 501(d)
25 and exempt from tax under section 501(a), or”.

1 (b) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to pleadings filed after the date
3 of the enactment of this Act.

4 **SEC. 407. TERMINATION OF EMPLOYMENT OF INTERNAL**
5 **REVENUE SERVICE EMPLOYEES FOR TAKING**
6 **OFFICIAL ACTIONS FOR POLITICAL PUR-**
7 **POSES.**

8 (a) IN GENERAL.—Paragraph (10) of section
9 1203(b) of the Internal Revenue Service Restructuring
10 and Reform Act of 1998 is amended to read as follows:

11 “(10) performing, delaying, or failing to per-
12 form (or threatening to perform, delay, or fail to
13 perform) any official action (including any audit)
14 with respect to a taxpayer for purpose of extracting
15 personal gain or benefit or for a political purpose.”.

16 (b) EFFECTIVE DATE.—The amendment made by
17 this section shall take effect on the date of the enactment
18 of this Act.

19 **SEC. 408. GIFT TAX NOT TO APPLY TO CONTRIBUTIONS TO**
20 **CERTAIN EXEMPT ORGANIZATIONS.**

21 (a) IN GENERAL.—Section 2501(a) is amended by
22 adding at the end the following new paragraph:

23 “(6) TRANSFERS TO CERTAIN EXEMPT ORGANI-
24 ZATIONS.—Paragraph (1) shall not apply to the
25 transfer of money or other property to an organiza-

1 tion described in paragraph (4), (5), or (6) of sec-
2 tion 501(c) and exempt from tax under section
3 501(a), for the use of such organization.”.

4 (b) EFFECTIVE DATE.—The amendment made by
5 subsection (a) shall apply to gifts made after the date of
6 the enactment of this Act.

7 (c) NO INFERENCE.—Nothing in the amendment
8 made by subsection (a) shall be construed to create any
9 inference with respect to whether any transfer of property
10 (whether made before, on, or after the date of the enact-
11 ment of this Act) to an organization described in para-
12 graph (4), (5), or (6) of section 501(c) of the Internal
13 Revenue Code of 1986 is a transfer of property by gift
14 for purposes of chapter 12 of such Code.

15 **SEC. 409. EXTEND INTERNAL REVENUE SERVICE AUTHOR-**
16 **ITY TO REQUIRE TRUNCATED SOCIAL SECU-**
17 **RITY NUMBERS ON FORM W-2.**

18 (a) WAGES.—Section 6051(a)(2) is amended by
19 striking “his social security account number” and insert-
20 ing “an identifying number for the employee”.

21 (b) EFFECTIVE DATE.—The amendment made by
22 this section shall take effect on the date of the enactment
23 of this Act.

1 **SEC. 410. CLARIFICATION OF ENROLLED AGENT CREDEN-**
2 **TIALS.**

3 Section 330 of title 31, United States Code, is
4 amended—

5 (1) by redesignating subsections (b), (c), and
6 (d) as subsections (c), (d), and (e), respectively, and

7 (2) by inserting after subsection (a) the fol-
8 lowing new subsection:

9 “(b) Any enrolled agents properly licensed to practice
10 as required under rules promulgated under subsection (a)
11 shall be allowed to use the credentials or designation of
12 ‘enrolled agent’, ‘EA’, or ‘E.A.’.”

13 **SEC. 411. PARTNERSHIP AUDIT RULES.**

14 (a) CORRECTION AND CLARIFICATION TO MODIFICA-
15 TIONS TO IMPUTED UNDERPAYMENTS.—

16 (1) Section 6225(c)(4)(A)(i) is amended by
17 striking “in the case of ordinary income,”.

18 (2) Section 6225(c) is amended by redesign-
19 ating paragraphs (5) through (7) as paragraphs
20 (6) through (8), respectively, and by inserting after
21 paragraph (4) the following new paragraph:

22 “(5) CERTAIN PASSIVE LOSSES OF PUBLICLY
23 TRADED PARTNERSHIPS.—

24 “(A) IN GENERAL.—In the case of a pub-
25 licly traded partnership (as defined in section
26 469(k)(2)), such procedures shall provide—

1 “(i) for determining the imputed un-
2 derpayment without regard to the portion
3 thereof that the partnership demonstrates
4 is attributable to a net decrease in a speci-
5 fied passive activity loss which is allocable
6 to a specified partner, and

7 “(ii) for the partnership to take such
8 net decrease into account as an adjustment
9 in the adjustment year with respect to the
10 specified partners to which such net de-
11 crease relates.

12 “(B) SPECIFIED PASSIVE ACTIVITY
13 LOSS.—For purposes of this paragraph, the
14 term ‘specified passive activity loss’ means, with
15 respect to any specified partner of such publicly
16 traded partnership, the lesser of—

17 “(i) the passive activity loss of such
18 partner which is separately determined
19 with respect to such partnership under sec-
20 tion 469(k) with respect to such partner’s
21 taxable year in which or with which the re-
22 viewed year of such partnership ends, or

23 “(ii) such passive activity loss so de-
24 termined with respect to such partner’s

1 taxable year in which or with which the ad-
2 justment year of such partnership ends.

3 “(C) SPECIFIED PARTNER.—For purposes
4 of this paragraph, the term ‘specified partner’
5 means any person if such person—

6 “(i) is a partner of the publicly traded
7 partnership referred to in subparagraph
8 (A),

9 “(ii) is described in section 469(a)(2),
10 and

11 “(iii) has a specified passive activity
12 loss with respect to such publicly traded
13 partnership,

14 with respect to each taxable year of such person
15 which is during the period beginning with the
16 taxable year of such person in which or with
17 which the reviewed year of such publicly traded
18 partnership ends and ending with the taxable
19 year of such person in which or with which the
20 adjustment year of such publicly traded part-
21 nership ends.”.

22 (b) CORRECTION AND CLARIFICATION TO JUDICIAL
23 REVIEW OF PARTNERSHIP ADJUSTMENT .—

24 (1) Section 6226 is amended by adding at the
25 end the following new subsection:

1 “(d) JUDICIAL REVIEW.—For the time period within
2 which a partnership may file a petition for a readjustment,
3 see section 6234(a).”.

4 (2) Subsections (a)(3), (b)(1), and (d) of sec-
5 tion 6234 are each amended by striking “the Claims
6 Court” and inserting “the Court of Federal Claims”.

7 (3) The heading for section 6234(b) is amended
8 by striking “CLAIMS COURT” and inserting “COURT
9 OF FEDERAL CLAIMS”.

10 (c) CORRECTION AND CLARIFICATION TO PERIOD OF
11 LIMITATIONS ON MAKING ADJUSTMENTS.—

12 (1) Section 6235(a)(2) is amended by striking
13 “paragraph (4)” and inserting “paragraph (7)”.

14 (2) Section 6235(a)(3) is amended by striking
15 “270 days” and inserting “330 days (plus the num-
16 ber of days of any extension consented to by the
17 Secretary under section 6225(c)(7))”.

18 (d) TECHNICAL AMENDMENT.—Section 6031(b) is
19 amended by striking the last sentence and inserting the
20 following: “Except as provided in the procedures under
21 section 6225(c), with respect to statements under section
22 6226, or as otherwise provided by the Secretary, informa-
23 tion required to be furnished by the partnership under this
24 subsection may not be amended after the due date of the

1 return under subsection (a) to which such information re-
2 lates.”.

3 (e) EFFECTIVE DATE.—The amendments made by
4 this section shall take effect as if included in section 1101
5 of the Bipartisan Budget Act of 2015.

6 **Subtitle B—United States Tax**
7 **Court**

8 **PART 1—TAXPAYER ACCESS TO UNITED STATES**
9 **TAX COURT**

10 **SEC. 421. FILING PERIOD FOR INTEREST ABATEMENT**
11 **CASES.**

12 (a) IN GENERAL.—Subsection (h) of section 6404 is
13 amended—

14 (1) by striking “REVIEW OF DENIAL” in the
15 heading and inserting “JUDICIAL REVIEW”, and

16 (2) by striking “if such action is brought” and
17 all that follows in paragraph (1) and inserting “if
18 such action is brought—

19 “(A) at any time after the earlier of—

20 “(i) the date of the mailing of the
21 Secretary’s final determination not to
22 abate such interest, or

23 “(ii) the date which is 180 days after
24 the date of the filing with the Secretary (in
25 such form as the Secretary may prescribe)

1 of a claim for abatement under this sec-
2 tion, and

3 “(B) not later than the date which is 180
4 days after the date described in subparagraph
5 (A)(i).”.

6 (b) EFFECTIVE DATE.—The amendments made by
7 this section shall apply to claims for abatement of interest
8 filed with the Secretary of the Treasury after the date of
9 the enactment of this Act.

10 **SEC. 422. SMALL TAX CASE ELECTION FOR INTEREST**
11 **ABATEMENT CASES.**

12 (a) IN GENERAL.—Subsection (f) of section 7463 is
13 amended—

14 (1) by striking “and” at the end of paragraph
15 (1),

16 (2) by striking the period at the end of para-
17 graph (2) and inserting “, and”, and

18 (3) by adding at the end the following new
19 paragraph:

20 “(3) a petition to the Tax Court under section
21 6404(h) in which the amount of the abatement
22 sought does not exceed \$50,000.”.

23 (b) EFFECTIVE DATE.—The amendments made by
24 this section shall apply to cases pending as of the day after

1 the date of the enactment of this Act, and cases com-
2 menced after such date of enactment.

3 **SEC. 423. VENUE FOR APPEAL OF SPOUSAL RELIEF AND**
4 **COLLECTION CASES.**

5 (a) IN GENERAL.—Paragraph (1) of section 7482(b)
6 is amended—

7 (1) by striking “or” at the end of subparagraph
8 (D),

9 (2) by striking the period at the end of sub-
10 paragraph (E), and

11 (3) by inserting after subparagraph (E) the fol-
12 lowing new subparagraphs:

13 “(F) in the case of a petition under section
14 6015(e), the legal residence of the petitioner, or

15 “(G) in the case of a petition under section
16 6320 or 6330—

17 “(i) the legal residence of the peti-
18 tioner if the petitioner is an individual, and

19 “(ii) the principal place of business or
20 principal office or agency if the petitioner
21 is an entity other than an individual.”.

22 (b) EFFECTIVE DATE.—

23 (1) IN GENERAL.—The amendments made by
24 this section shall apply to petitions filed after the
25 date of enactment of this Act.

1 (2) EFFECT ON EXISTING PROCEEDINGS.—

2 Nothing in this section shall be construed to create
3 any inference with respect to the application of sec-
4 tion 7482 of the Internal Revenue Code of 1986
5 with respect to court proceedings filed on or before
6 the date of the enactment of this Act.

7 **SEC. 424. SUSPENSION OF RUNNING OF PERIOD FOR FIL-**
8 **ING PETITION OF SPOUSAL RELIEF AND COL-**
9 **LECTION CASES.**

10 (a) PETITIONS FOR SPOUSAL RELIEF.—

11 (1) IN GENERAL.—Subsection (e) of section
12 6015 is amended by adding at the end the following
13 new paragraph:

14 “(6) SUSPENSION OF RUNNING OF PERIOD FOR
15 FILING PETITION IN TITLE 11 CASES.—In the case
16 of a person who is prohibited by reason of a case
17 under title 11, United States Code, from filing a pe-
18 tition under paragraph (1)(A) with respect to a final
19 determination of relief under this section, the run-
20 ning of the period prescribed by such paragraph for
21 filing such a petition with respect to such final de-
22 termination shall be suspended for the period during
23 which the person is so prohibited from filing such a
24 petition, and for 60 days thereafter.”.

1 (2) EFFECTIVE DATE.—The amendment made
2 by this subsection shall apply to petitions filed under
3 section 6015(e) of the Internal Revenue Code of
4 1986 after the date of the enactment of this Act.

5 (b) COLLECTION PROCEEDINGS.—

6 (1) IN GENERAL.—Subsection (d) of section
7 6330 is amended—

8 (A) by striking “appeal such determination
9 to the Tax Court” in paragraph (1) and insert-
10 ing “petition the Tax Court for review of such
11 determination”,

12 (B) by striking “JUDICIAL REVIEW OF DE-
13 TERMINATION” in the heading of paragraph (1)
14 and inserting “PETITION FOR REVIEW BY TAX
15 COURT”,

16 (C) by redesignating paragraph (2) as
17 paragraph (3), and

18 (D) by inserting after paragraph (1) the
19 following new paragraph:

20 “(2) SUSPENSION OF RUNNING OF PERIOD FOR
21 FILING PETITION IN TITLE 11 CASES.—In the case
22 of a person who is prohibited by reason of a case
23 under title 11, United States Code, from filing a pe-
24 tition under paragraph (1) with respect to a deter-
25 mination under this section, the running of the pe-

1 riod prescribed by such subsection for filing such a
2 petition with respect to such determination shall be
3 suspended for the period during which the person is
4 so prohibited from filing such a petition, and for 30
5 days thereafter, and”.

6 (2) EFFECTIVE DATE.—The amendments made
7 by this subsection shall apply to petitions filed under
8 section 6330 of the Internal Revenue Code of 1986
9 after the date of the enactment of this Act.

10 (c) CONFORMING AMENDMENT.—Subsection (c) of
11 section 6320 is amended by striking “(2)(B)” and insert-
12 ing “(3)(B)”.

13 **SEC. 425. APPLICATION OF FEDERAL RULES OF EVIDENCE.**

14 (a) IN GENERAL.—Section 7453 is amended by strik-
15 ing “the rules of evidence applicable in trials without a
16 jury in the United States District Court of the District
17 of Columbia” and inserting “the Federal Rules of Evi-
18 dence”.

19 (b) EFFECTIVE DATE.—The amendment made by
20 this section shall apply to proceedings commenced after
21 the date of the enactment of this Act and, to the extent
22 that it is just and practicable, to all proceedings pending
23 on such date.

1 **PART 2—UNITED STATES TAX COURT**

2 **ADMINISTRATION**

3 **SEC. 431. JUDICIAL CONDUCT AND DISABILITY PROCE-**
4 **DURES.**

5 (a) IN GENERAL.—Part II of subchapter C of chap-
6 ter 76 is amended by adding at the end the following new
7 section:

8 **“SEC. 7466. JUDICIAL CONDUCT AND DISABILITY PROCE-**
9 **DURES.**

10 “(a) IN GENERAL.—The Tax Court shall prescribe
11 rules, consistent with the provisions of chapter 16 of title
12 28, United States Code, establishing procedures for the
13 filing of complaints with respect to the conduct of any
14 judge or special trial judge of the Tax Court and for the
15 investigation and resolution of such complaints. In inves-
16 tigating and taking action with respect to any such com-
17 plaint, the Tax Court shall have the powers granted to
18 a judicial council under such chapter.

19 “(b) JUDICIAL COUNCIL.—The provisions of sections
20 354(b) through 360 of title 28, United States Code, re-
21 garding referral or certification to, and petition for review
22 in the Judicial Conference of the United States, and action
23 thereon, shall apply to the exercise by the Tax Court of
24 the powers of a judicial council under subsection (a). The
25 determination pursuant to section 354(b) or 355 of title
26 28, United States Code, shall be made based on the

1 grounds for removal of a judge from office under section
2 7443(f), and certification and transmittal by the Con-
3 ference of any complaint shall be made to the President
4 for consideration under section 7443(f).

5 “(c) HEARINGS.—

6 “(1) IN GENERAL.—In conducting hearings
7 pursuant to subsection (a), the Tax Court may exer-
8 cise the authority provided under section 1821 of
9 title 28, United States Code, to pay the fees and al-
10 lowances described in that section.

11 “(2) REIMBURSEMENT FOR EXPENSES.—The
12 Tax Court shall have the power provided under sec-
13 tion 361 of such title 28 to award reimbursement for
14 the reasonable expenses described in that section.
15 Reimbursements under this paragraph shall be made
16 out of any funds appropriated for purposes of the
17 Tax Court.”.

18 (b) CLERICAL AMENDMENT.—The table of sections
19 for part II of subchapter C of chapter 76 is amended by
20 adding at the end the following new item:

“Sec. 7466. Judicial conduct and disability procedures.”.

21 (c) EFFECTIVE DATE.—The amendments made by
22 this section shall apply to proceedings commenced after
23 the date which is 180 days after the date of the enactment
24 of this Act and, to the extent just and practicable, all pro-
25 ceedings pending on such date.

1 **SEC. 432. ADMINISTRATION, JUDICIAL CONFERENCE, AND**
2 **FEES.**

3 (a) IN GENERAL.—Part III of subchapter C of chap-
4 ter 76 is amended by inserting before section 7471 the
5 following new sections:

6 **“SEC. 7470. ADMINISTRATION.**

7 “Notwithstanding any other provision of law, the Tax
8 Court may exercise, for purposes of management, adminis-
9 tration, and expenditure of funds of the Court, the au-
10 thorities provided for such purposes by any provision of
11 law (including any limitation with respect to such provi-
12 sion of law) applicable to a court of the United States (as
13 that term is defined in section 451 of title 28, United
14 States Code), except to the extent that such provision of
15 law is inconsistent with a provision of this subchapter.

16 **“SEC. 7470A. JUDICIAL CONFERENCE.**

17 “(a) JUDICIAL CONFERENCE.—The chief judge may
18 summon the judges and special trial judges of the Tax
19 Court to an annual judicial conference, at such time and
20 place as the chief judge shall designate, for the purpose
21 of considering the business of the Tax Court and recom-
22 mending means of improving the administration of justice
23 within the jurisdiction of the Tax Court. The Tax Court
24 shall provide by its rules for representation and active par-
25 ticipation at such conferences by persons admitted to prac-

1 tice before the Tax Court and by other persons active in
2 the legal profession.

3 “(b) REGISTRATION FEE.—The Tax Court may im-
4 pose a reasonable registration fee on persons (other than
5 judges and special trial judges of the Tax Court) partici-
6 pating at judicial conferences convened pursuant to sub-
7 section (a). Amounts so received by the Tax Court shall
8 be available to the Tax Court to defray the expenses of
9 such conferences.”.

10 (b) DISPOSITION OF FEES.—Section 7473 is amend-
11 ed to read as follows:

12 **“SEC. 7473. DISPOSITION OF FEES.**

13 “Except as provided in sections 7470A and 7475, all
14 fees received by the Tax Court pursuant to this title shall
15 be deposited into a special fund of the Treasury to be
16 available to offset funds appropriated for the operation
17 and maintenance of the Tax Court.”.

18 (c) CLERICAL AMENDMENTS.—The table of sections
19 for part III of subchapter C of chapter 76 is amended
20 by inserting before the item relating to section 7471 the
21 following new items:

“Sec. 7470. Administration.

“Sec. 7470A. Judicial conference.”.

1 **PART 3—CLARIFICATION RELATING TO UNITED**
2 **STATES TAX COURT**

3 **SEC. 441. CLARIFICATION RELATING TO UNITED STATES**
4 **TAX COURT.**

5 Section 7441 is amended by adding at the end the
6 following: “The Tax Court is not an agency of, and shall
7 be independent of, the executive branch of the Govern-
8 ment.”.

9 **TITLE V—TRADE-RELATED**
10 **PROVISIONS**

11 **SEC. 501. MODIFICATION OF EFFECTIVE DATE OF PROVI-**
12 **SIONS RELATING TO TARIFF CLASSIFICATION**
13 **OF RECREATIONAL PERFORMANCE OUTER-**
14 **WEAR.**

15 Section 601(c) of the Trade Preferences Extension
16 Act of 2015 (Public Law 114–27; 129 Stat. 412) is
17 amended—

18 (1) in paragraph (1), by striking “the 180th
19 day after the date of the enactment of this Act” and
20 inserting “March 31, 2016”; and

21 (2) in paragraph (2), by striking “such 180th
22 day” and inserting “March 31, 2016”.

1 **SEC. 502. AGREEMENT BY ASIA-PACIFIC ECONOMIC CO-**
2 **OPERATION MEMBERS TO REDUCE RATES OF**
3 **DUTY ON CERTAIN ENVIRONMENTAL GOODS.**

4 Section 107 of the Bipartisan Congressional Trade
5 Priorities and Accountability Act of 2015 (Public Law
6 114–26; 19 U.S.C. 4206) is amended by adding at the
7 end the following:

8 “(c) AGREEMENT BY ASIA-PACIFIC ECONOMIC CO-
9 OPERATION MEMBERS TO REDUCE RATES OF DUTY ON
10 CERTAIN ENVIRONMENTAL GOODS.—Notwithstanding
11 the notification requirement described in section
12 103(a)(2), the President may exercise the proclamation
13 authority provided for in section 103(a)(1)(B) to imple-
14 ment an agreement by members of the Asia-Pacific Eco-
15 nomic Cooperation (APEC) to reduce any rate of duty on
16 certain environmental goods included in Annex C of the
17 APEC Leaders Declaration issued on September 9, 2012,
18 if (and only if) the President, as soon as feasible after
19 the date of the enactment of this subsection, and before
20 exercising proclamation authority under section
21 103(a)(1)(B), notifies Congress of the negotiations relat-
22 ing to the agreement and the specific United States objec-
23 tives in the negotiations.”.

1 **TITLE VI—BUDGETARY EFFECTS**

2 **SEC. 601. BUDGETARY EFFECTS.**

3 (a) PAYGO SCORECARD.—The budgetary effects of
4 this Act shall not be entered on either PAYGO scorecard
5 maintained pursuant to section 4(d) of the Statutory Pay-
6 As-You-Go Act of 2010.

7 (b) SENATE PAYGO SCORECARD.—The budgetary ef-
8 fects of this Act shall not be entered on any PAYGO score-
9 card maintained for purposes of section 201 of S. Con.
10 Res. 21 (110th Congress).

