

113TH CONGRESS  
2D SESSION

# H. R. 5082

To provide tax relief for major disaster areas declared in 2012, 2013, and 2014, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

JULY 11, 2014

Mr. REED (for himself, Mr. GARDNER, Mr. GIBSON, Mr. COLE, Mr. GRIFFIN of Arkansas, Mr. HARPER, Mr. RUNYAN, Mrs. CAPITO, Mr. MCALLISTER, Mr. KING of New York, Mr. CASSIDY, Mr. GERLACH, Mr. FITZPATRICK, Mr. SCHOCK, Mr. PASCRELL, Mr. BUTTERFIELD, Ms. DELBENE, Mr. POLIS, Mr. PALLONE, Mr. CROWLEY, Mr. HOLT, Mr. LARSON of Connecticut, Mr. RANGEL, Mr. RICHMOND, Mr. ISRAEL, Mr. BISHOP of New York, Mr. LARSEN of Washington, Mr. SIRES, Mrs. MCCARTHY of New York, and Mr. RODNEY DAVIS of Illinois) introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To provide tax relief for major disaster areas declared in 2012, 2013, and 2014, and for other purposes.

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

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the  
5 “National Disaster Tax Relief Act of 2014”.

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

Sec. 1. Short title; table of contents.

TITLE I—TAX RELIEF RELATING TO DISASTERS IN 2012, 2013,  
 AND 2014

- Sec. 101. Expensing of qualified disaster expenses.  
 Sec. 102. Increased limitation on charitable contributions for disaster relief.  
 Sec. 103. Losses attributable to disasters in 2012, 2013, and 2014.  
 Sec. 104. Net operating losses attributable to disasters in 2012, 2013, and 2014.  
 Sec. 105. Waiver of certain mortgage revenue bond requirements following 2012, 2013, and 2014 disasters.  
 Sec. 106. Increased expensing and bonus depreciation for qualified disaster assistance property following 2012, 2013, and 2014 disasters.  
 Sec. 107. Increase in new markets tax credit for investments in community development entities serving 2012, 2013, and 2014 disaster areas.  
 Sec. 108. Special rules for use of retirement funds in connection with federally declared disasters in 2012, 2013, or 2014.  
 Sec. 109. Additional exemption for housing qualified disaster displaced individuals.  
 Sec. 110. Exclusions of certain cancellations of indebtedness by reason of 2012, 2013, or 2014 disasters.  
 Sec. 111. Special rule for determining earned income of individuals affected by federally declared disasters.  
 Sec. 112. Increase in rehabilitation credit for buildings in 2012, 2013, and 2014 disaster areas.  
 Sec. 113. Advanced refundings of certain tax-exempt bonds.  
 Sec. 114. Qualified disaster area recovery bonds.  
 Sec. 115. Additional low-income housing credit allocations.  
 Sec. 116. Facilitation of transfer of water leasing and water by mutual ditch or irrigation companies in disaster areas.

TITLE II—OTHER DISASTER TAX RELIEF PROVISIONS

- Sec. 201. Exclusion for disaster mitigation payments received from State and local governments.  
 Sec. 202. Natural disaster funds.

3 **TITLE I—TAX RELIEF RELATING**  
 4 **TO DISASTERS IN 2012, 2013,**  
 5 **AND 2014**

6 **SEC. 101. EXPENSING OF QUALIFIED DISASTER EXPENSES.**

7 (a) IN GENERAL.—Section 198A(b)(2) of the Inter-  
 8 nal Revenue Code of 1986 is amended—

1           (1) by striking “before January 1, 2010” in  
2           subparagraph (A) and inserting “during the period  
3           beginning after December 31, 2007, and before Jan-  
4           uary 1, 2010, or during the period beginning after  
5           December 31, 2011, and before January 1, 2015”,  
6           and

7           (2) by striking “before such date” each place it  
8           appears in subparagraphs (B) and (C) and inserting  
9           “during any such period”.

10          (b) EFFECTIVE DATE.—The amendment made by  
11 this section shall apply to amounts paid or incurred after  
12 December 31, 2011, in connection with disasters declared  
13 after such date.

14 **SEC. 102. INCREASED LIMITATION ON CHARITABLE CON-**  
15 **TRIBUTIONS FOR DISASTER RELIEF.**

16          (a) INDIVIDUALS.—Paragraph (1) of section 170(b)  
17 of the Internal Revenue Code of 1986 is amended by re-  
18 designating subparagraphs (F) and (G) as subparagraphs  
19 (G) and (H), respectively, and by inserting after subpara-  
20 graph (E) the following new subparagraph:

21                   “(F) QUALIFIED DISASTER CONTRIBU-  
22                   TIONS.—

23                           “(i) IN GENERAL.—Any qualified dis-  
24                           aster contribution shall be allowed to the  
25                           extent that the aggregate of such contribu-

1            tions does not exceed the excess of 80 per-  
2            cent of the taxpayer's contribution base  
3            over the amount of all other charitable  
4            contributions allowable under this para-  
5            graph.

6            “(ii) CARRYOVER.—If the aggregate  
7            amount of contributions described in clause  
8            (i) exceeds the limitation under clause (i),  
9            such excess shall be treated (in a manner  
10           consistent with the rules of subsection  
11           (d)(1)) as a charitable contribution to  
12           which clause (i) applies in each of the 5  
13           succeeding years in order of time.

14           “(iii) COORDINATION WITH OTHER  
15           SUBPARAGRAPHS.—For purposes of apply-  
16           ing this subsection and subsection (d)(1),  
17           contributions described in clause (i) shall  
18           not be treated as described in subpara-  
19           graph (A) and such subparagraph shall be  
20           applied without regard to such contribu-  
21           tions.

22           “(iv) QUALIFIED DISASTER CON-  
23           TRIBUTIONS.—For purposes of this sub-  
24           paragraph, the term ‘qualified disaster

1 contribution’ means any charitable con-  
2 tribution if—

3 “(I) such contribution is for re-  
4 lief efforts related to a federally de-  
5 clared disaster (as defined in section  
6 165(h)(3)(C)(i)),

7 “(II) such contribution is made  
8 during the period beginning on the  
9 applicable disaster date with respect  
10 to the disaster described in subclause  
11 (I) and ending on December 31,  
12 2014, and

13 “(III) such contribution is made  
14 in cash to an organization described  
15 in subparagraph (A) (other than an  
16 organization described in section  
17 509(a)(3)).

18 Such term shall not include a contribution  
19 if the contribution is for establishment of  
20 a new, or maintenance in an existing,  
21 donor advised fund (as defined in section  
22 4966(d)(2)).

23 “(v) APPLICABLE DISASTER DATE.—  
24 For purposes of clause (iv)(II), the term  
25 ‘applicable disaster date’ means, with re-

1           spect to any federally declared disaster de-  
2           scribed in clause (iv)(I), the date on which  
3           the disaster giving rise to the Presidential  
4           declaration described in section  
5           165(h)(3)(C)(i) occurred.

6           “(vi) SUBSTANTIATION REQUIRE-  
7           MENT.—This paragraph shall not apply to  
8           any qualified disaster contribution unless  
9           the taxpayer obtains from such organiza-  
10          tion to which the contribution was made a  
11          contemporaneous written acknowledgment  
12          (within the meaning of subsection (f)(8))  
13          that such contribution was used (or is to  
14          be used) for a purpose described in clause  
15          (iv)(III).”.

16          (b) CORPORATIONS.—

17           (1) IN GENERAL.—Paragraph (2) of section  
18          170(b) of the Internal Revenue Code of 1986 is  
19          amended by redesignating subparagraph (C) as sub-  
20          paragraph (D) and by inserting after subparagraph  
21          (B) the following new subparagraph:

22           “(C) QUALIFIED DISASTER CONTRIBU-  
23          TIONS.—

24           “(i) IN GENERAL.—Any qualified dis-  
25          aster contribution shall be allowed to the

1 extent that the aggregate of such contribu-  
2 tions does not exceed the excess of 20 per-  
3 cent of the taxpayer's taxable income over  
4 the amount of charitable contributions al-  
5 lowed under subparagraph (A).

6 “(ii) CARRYOVER.—If the aggregate  
7 amount of contributions described in clause  
8 (i) exceeds the limitation under clause (i),  
9 such excess shall be treated (in a manner  
10 consistent with the rules of subsection  
11 (d)(1)) as a charitable contribution to  
12 which clause (i) applies in each of the 5  
13 succeeding years in order of time.

14 “(iii) QUALIFIED DISASTER CON-  
15 TRIBUTION.—The term ‘qualified disaster  
16 contribution’ has the meaning given such  
17 term under paragraph (2)(F)(iv).

18 “(iv) SUBSTANTIATION REQUIRE-  
19 MENT.—This paragraph shall not apply to  
20 any qualified disaster contribution unless  
21 the taxpayer obtains from such organiza-  
22 tion to which the contribution was made a  
23 contemporaneous written acknowledgment  
24 (within the meaning of subsection (f)(8))  
25 that such contribution was used (or is to

1 be used) for a purpose described in para-  
2 graph (1)(F)(iv)(III).”.

3 (2) CONFORMING AMENDMENTS.—

4 (A) Subparagraph (A) of section 170(b)(2)  
5 of such Code is amended by striking “subpara-  
6 graph (B) applies” and inserting “subpara-  
7 graphs (B) and (C) apply”.

8 (B) Subparagraph (B) of section 170(b)(2)  
9 of such Code is amended by striking “subpara-  
10 graph (A)” and inserting “subparagraphs (A)  
11 and (C)”.

12 (c) EFFECTIVE DATE.—The amendments made by  
13 this section shall apply to disasters arising in taxable years  
14 ending after December 31, 2011.

15 **SEC. 103. LOSSES ATTRIBUTABLE TO DISASTERS IN 2012,**  
16 **2013, AND 2014.**

17 (a) WAIVER OF ADJUSTED GROSS INCOME LIMITA-  
18 TION; INCREASE IN STANDARD DEDUCTION BY DISASTER  
19 CASUALTY LOSS.—Subclause (I) of section  
20 165(h)(3)(B)(i) of the Internal Revenue Code of 1986 is  
21 amended by striking “before January 1, 2010” and insert-  
22 ing “during the period beginning after December 31,  
23 2007, and before January 1, 2010, or during the period  
24 beginning after December 31, 2011, and before January  
25 1, 2015”.



1 (b) LOSS ALLOWED WHETHER OR NOT INDIVIDUAL  
2 ITEMIZED DEDUCTIONS.—Section 62(a) of the Internal  
3 Revenue Code of 1986 is amended by inserting after para-  
4 graph (21) the following new paragraph:

5 “(22) DISASTER CASUALTY LOSSES.—Any net  
6 disaster loss (as defined in section 165(h)(3)(B)).”.

7 (c) TECHNICAL AMENDMENT.—Clause (i) of section  
8 165(h)(3)(C) of the Internal Revenue Code of 1986 is  
9 amended by inserting “major” after “means any”.

10 (d) EFFECTIVE DATE.—The amendments made by  
11 this section shall apply to disasters declared in taxable  
12 years beginning after December 31, 2011.

13 (e) USE OF AMENDED INCOME TAX RETURNS TO  
14 TAKE INTO ACCOUNT RECEIPT OF CERTAIN CASUALTY  
15 LOSS GRANTS BY DISALLOWING PREVIOUSLY TAKEN  
16 CASUALTY LOSS DEDUCTIONS.—

17 (1) IN GENERAL.—Notwithstanding any other  
18 provision of the Internal Revenue Code of 1986, if  
19 a taxpayer—

20 (A) claims a deduction for any taxable year  
21 with respect to a casualty loss to a principal  
22 residence (within the meaning of section 121 of  
23 such Code) resulting from any federally de-  
24 clared disaster (as defined in section  
25 165(h)(3)(C) of such Code) occurring during

1 the period beginning after December 31, 2011,  
2 and before January 1, 2015, and

3 (B) in a subsequent taxable year receives  
4 a grant under any Federal or State program as  
5 reimbursement for such loss,  
6 such taxpayer may elect to file an amended income  
7 tax return for the taxable year in which such deduc-  
8 tion was allowed (and for any taxable year to which  
9 such deduction is carried) and reduce (but not below  
10 zero) the amount of such deduction by the amount  
11 of such reimbursement.

12 (2) TIME OF FILING AMENDED RETURN.—  
13 Paragraph (1) shall apply with respect to any grant  
14 only if any amended income tax returns with respect  
15 to such grant are filed not later than the later of—

16 (A) the due date for filing the tax return  
17 for the taxable year in which the taxpayer re-  
18 ceives such grant, or

19 (B) the date which is 1 year after the date  
20 of the enactment of this Act.

21 (3) WAIVER OF PENALTIES AND INTEREST.—  
22 Any underpayment of tax resulting from the reduc-  
23 tion under paragraph (1) of the amount otherwise  
24 allowable as a deduction shall not be subject to any  
25 penalty or interest under such Code if such tax is

1       paid not later than 1 year after the filing of the  
2       amended return to which such reduction relates.

3       **SEC. 104. NET OPERATING LOSSES ATTRIBUTABLE TO DIS-**  
4                                   **ASTERS IN 2012, 2013, AND 2014.**

5       (a) IN GENERAL.—Subclause (I) of section  
6 172(j)(1)(A)(i) of the Internal Revenue Code of 1986 is  
7 amended by striking “before January 1, 2010” and insert-  
8 ing “during the period beginning after December 31,  
9 2007, and before January 1, 2010, or during the period  
10 beginning after December 31, 2011, and before January  
11 1, 2015”.

12       (b) EFFECTIVE DATE.—The amendments made by  
13 this section shall apply to losses arising in taxable years  
14 beginning after December 31, 2011, in connection with  
15 disasters declared after such date.

16       **SEC. 105. WAIVER OF CERTAIN MORTGAGE REVENUE BOND**  
17                                   **REQUIREMENTS FOLLOWING 2012, 2013, AND**  
18                                   **2014 DISASTERS.**

19       (a) IN GENERAL.—Section 143(k) of the Internal  
20 Revenue Code of 1986 is amended—

21               (1) by redesignating paragraph (12), as added  
22       by section 709(a) of the Tax Extenders and Alter-  
23       native Minimum Tax Relief Act of 2008, as para-  
24       graph (13), and

1           (2) by striking “before January 1, 2010” in  
2           subparagraphs (A)(i) and (B)(i) of such paragraph  
3           and inserting “during the period beginning after De-  
4           cember 31, 2007, and before January 1, 2010, or  
5           during the period beginning after December 31,  
6           2011, and before January 1, 2015”.

7           (b) **EFFECTIVE DATE.**—The amendments made by  
8           this section shall apply to disasters occurring after Decem-  
9           ber 31, 2011.

10 **SEC. 106. INCREASED EXPENSING AND BONUS DEPRECIATION**  
11 **FOR QUALIFIED DISASTER ASSISTANCE**  
12 **PROPERTY FOLLOWING 2012, 2013, AND 2014**  
13 **DISASTERS.**

14           (a) **IN GENERAL.**—Subclause (I) of section  
15 168(n)(2)(A)(ii) of the Internal Revenue Code of 1986 is  
16 amended by striking “before January 1, 2010” and insert-  
17 ing “during the period beginning after December 31,  
18 2007, and before January 1, 2010, or during the period  
19 beginning after December 31, 2011, and before January  
20 1, 2015”.

21           (b) **REMOVAL OF EXCLUSION.**—Section  
22 168(n)(2)(B)(i) of such Code is amended by inserting  
23 “and” at the end of subclause (I), by striking “, and”  
24 at the end of subclause (II) and inserting a period, and  
25 by striking subclause (III).

1           (c) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to property placed in service after  
3 December 31, 2011, with respect to disasters declared  
4 after such date.

5 **SEC. 107. INCREASE IN NEW MARKETS TAX CREDIT FOR IN-**  
6 **VESTMENTS IN COMMUNITY DEVELOPMENT**  
7 **ENTITIES SERVING 2012, 2013, AND 2014 DIS-**  
8 **ASTER AREAS.**

9           (a) IN GENERAL.—Subsection (f) of section 45D of  
10 the Internal Revenue Code of 1986 is amended by adding  
11 at the end the following new paragraph:

12                   “(4) INCREASED SPECIAL ALLOCATION FOR  
13 COMMUNITY DEVELOPMENT ENTITIES SERVING 2012,  
14 2013, AND 2014 DISASTER AREAS.—

15                           “(A) IN GENERAL.—In the case of each  
16 calendar year which begins after 2012 and be-  
17 fore 2016, the new markets tax credit limitation  
18 shall be increased by an amount equal to  
19 \$500,000,000, to be allocated among qualified  
20 community development entities to make quali-  
21 fied low-income community investments within  
22 any 2012, 2013, or 2014 federally declared dis-  
23 aster area.

24                           “(B) ALLOCATION OF INCREASE.—The  
25 amount of the increase in limitation under sub-

1 paragraph (A) shall be allocated by the Sec-  
2 retary under paragraph (2) to qualified commu-  
3 nity development entities and shall give priority  
4 to such entities with a record of having success-  
5 fully provided capital or technical assistance to  
6 businesses or communities within any 2011 or  
7 2012 federally declared disaster area or areas  
8 for which the allocation is requested.

9 “(C) APPLICATION OF CARRYFORWARD.—  
10 Paragraph (3) shall be applied separately with  
11 respect to the amount of any increase under  
12 subparagraph (A).

13 “(D) 2012, 2013, OR 2014 FEDERALLY DE-  
14 CLARED DISASTER AREA.—For purposes of this  
15 paragraph, the term ‘2012, 2013, or 2014 fed-  
16 erally declared disaster area’ means any dis-  
17 aster area resulting from any federally declared  
18 disaster occurring after December 31, 2011,  
19 and before January 1, 2015. For purposes of  
20 the preceding sentence, the terms ‘federally de-  
21 clared disaster’ and ‘disaster area’ have the  
22 meanings given such terms in section  
23 165(h)(3).”.

1 (b) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to calendar years beginning after  
3 2012.

4 **SEC. 108. SPECIAL RULES FOR USE OF RETIREMENT FUNDS**  
5 **IN CONNECTION WITH FEDERALLY DE-**  
6 **CLARED DISASTERS IN 2012, 2013, OR 2014.**

7 (a) TAX-FAVORED WITHDRAWALS FROM RETIRE-  
8 MENT PLANS.—

9 (1) IN GENERAL.—Paragraph (2) of section  
10 72(t) of the Internal Revenue Code of 1986 is  
11 amended by adding at the end the following new  
12 subparagraph:

13 “(H) DISTRIBUTIONS FROM RETIREMENT  
14 PLANS IN CONNECTION WITH FEDERALLY DE-  
15 CLARED DISASTERS DURING 2012, 2013, AND  
16 2014.—Any qualified 2012, 2013, or 2014 dis-  
17 aster recovery distribution.”.

18 (2) QUALIFIED DISASTER RECOVERY DISTRIBU-  
19 TION.—Section 72(t) of such Code is amended by  
20 adding at the end the following new paragraph:

21 “(11) QUALIFIED 2012, 2013, OR 2014 DISASTER  
22 RECOVERY DISTRIBUTION.—For purposes of para-  
23 graph (2)(H)—

24 “(A) IN GENERAL.—Except as provided in  
25 subparagraph (B), the term ‘qualified disaster

1 recovery distribution’ means, with respect to  
2 any federally declared disaster occurring during  
3 2012, 2013, or 2014, any distribution from an  
4 eligible retirement plan made on or after the  
5 applicable disaster date and before January 1,  
6 2015, to an individual whose principal place of  
7 abode on the applicable disaster date, is located  
8 in the disaster area and who has sustained an  
9 economic loss by reason of such federally de-  
10 clared disaster.

11 “(B) DOLLAR LIMITATION.—

12 “(i) IN GENERAL.—For purposes of  
13 this subsection, the aggregate amount of  
14 distributions received by an individual with  
15 respect to any federally declared disaster  
16 occurring during 2012, 2013, or 2014  
17 shall not exceed \$100,000.

18 “(ii) TREATMENT OF PLAN DISTRIBUTU-  
19 TIONS.—If a distribution to an individual  
20 would (without regard to clause (i)) be a  
21 qualified 2012, 2013, or 2014 disaster re-  
22 covery distribution, a plan shall not be  
23 treated as violating any requirement of this  
24 title merely because the plan treats such  
25 distribution as a qualified 2012, 2013, or



1 2014 disaster recovery distribution, unless  
2 the aggregate amount of such distributions  
3 from all plans maintained by the employer  
4 (and any member of any controlled group  
5 which includes the employer) to such indi-  
6 vidual with respect to any federally de-  
7 clared disaster occurring during 2012,  
8 2013, or 2014 exceeds \$100,000.

9 “(iii) CONTROLLED GROUP.—For pur-  
10 poses of clause (ii), the term ‘controlled  
11 group’ means any group treated as a single  
12 employer under subsection (b), (c), (m), or  
13 (o) of section 414.

14 “(C) AMOUNT DISTRIBUTED MAY BE RE-  
15 PAID.—

16 “(i) IN GENERAL.—Any individual  
17 who receives a qualified 2012, 2013, or  
18 2014 disaster recovery distribution may, at  
19 any time during the 3-year period begin-  
20 ning on the day after the date on which  
21 such distribution was received, make one  
22 or more contributions in an aggregate  
23 amount not to exceed the amount of such  
24 distribution to an eligible retirement plan  
25 of which such individual is a beneficiary

1 and to which a rollover contribution of  
2 such distribution could be made under sec-  
3 tion 402(c), 403(a)(4), 403(b)(8),  
4 408(d)(3), or 457(e)(16), as the case may  
5 be.

6 “(ii) TREATMENT OF REPAYMENTS OF  
7 DISTRIBUTIONS FROM ELIGIBLE RETIRE-  
8 MENT PLANS OTHER THAN IRAS.—For  
9 purposes of this title, if a contribution is  
10 made pursuant to clause (i) with respect to  
11 a qualified 2012, 2013, or 2014 disaster  
12 recovery distribution from an eligible re-  
13 tirement plan other than an individual re-  
14 tirement plan, then the taxpayer shall, to  
15 the extent of the amount of the contribu-  
16 tion, be treated as having received the  
17 qualified 2012, 2013, or 2014 disaster re-  
18 covery distribution in an eligible rollover  
19 distribution (as defined in section  
20 402(c)(4)) and as having transferred the  
21 amount to the eligible retirement plan in a  
22 direct trustee to trustee transfer within 60  
23 days of the distribution.

24 “(iii) TREATMENT OF REPAYMENTS  
25 FOR DISTRIBUTIONS FROM IRAS.—For

1 purposes of this title, if a contribution is  
2 made pursuant to clause (i) with respect to  
3 a qualified 2012, 2013, or 2014 disaster  
4 recovery distribution from an individual re-  
5 tirement plan (as defined by section  
6 7701(a)(37)), then, to the extent of the  
7 amount of the contribution, the qualified  
8 2012, 2013, or 2014 disaster recovery dis-  
9 tribution shall be treated as a distribution  
10 described in section 408(d)(3) and as hav-  
11 ing been transferred to the eligible retire-  
12 ment plan in a direct trustee to trustee  
13 transfer within 60 days of the distribution.

14 “(D) INCOME INCLUSION SPREAD OVER 3-  
15 YEAR PERIOD.—

16 “(i) IN GENERAL.—In the case of any  
17 qualified 2012, 2013, or 2014 disaster re-  
18 covery distribution, unless the taxpayer  
19 elects not to have this paragraph apply for  
20 any taxable year, any amount required to  
21 be included in gross income for such tax-  
22 able year shall be so included ratably over  
23 the 3-taxable-year period beginning with  
24 such taxable year.

1           “(ii) SPECIAL RULE.—For purposes of  
2           clause (i), rules similar to the rules of sub-  
3           paragraph (E) of section 408A(d)(3) shall  
4           apply.

5           “(E) OTHER DEFINITIONS.—

6           “(i) FEDERALLY DECLARED DIS-  
7           ASTER; DISASTER AREA.—The terms ‘fed-  
8           erally declared disaster’ and ‘disaster area’  
9           have the meanings given such terms under  
10          section 165(h)(3)(C).

11          “(ii) APPLICABLE DISASTER DATE.—  
12          The term ‘applicable disaster date’ means,  
13          with respect to any federally declared dis-  
14          aster, the date on which such federally de-  
15          clared disaster occurs.

16          “(iii) ELIGIBLE RETIREMENT PLAN.—  
17          The term ‘eligible retirement plan’ shall  
18          have the meaning given such term by sec-  
19          tion 402(c)(8)(B).

20          “(F) SPECIAL RULES.—

21          “(i) EXEMPTION OF DISTRIBUTIONS  
22          FROM TRUSTEE TO TRUSTEE TRANSFER  
23          AND WITHHOLDING RULES.—For purposes  
24          of sections 401(a)(31), 402(f), and 3405,  
25          qualified 2012, 2013, or 2014 disaster re-

1 covery distributions shall not be treated as  
2 eligible rollover distributions.

3 “(ii) QUALIFIED 2012, 2013, OR 2014  
4 DISASTER RECOVERY DISTRIBUTIONS  
5 TREATED AS MEETING PLAN DISTRIBUTION  
6 REQUIREMENTS.—For purposes of  
7 this title, a qualified 2012, 2013, or 2014  
8 disaster recovery distribution shall be  
9 treated as meeting the requirements of sections  
10 401(k)(2)(B)(i), 403(b)(7)(A)(ii),  
11 403(b)(11), and 457(d)(1)(A).”

12 (3) EFFECTIVE DATE.—The amendments made  
13 by this subsection shall apply to distributions with  
14 respect to disaster declared after December 31,  
15 2011.

16 (b) LOANS FROM QUALIFIED PLANS.—

17 (1) IN GENERAL.—Subsection (p) of section 72  
18 of the Internal Revenue Code of 1986 is amended by  
19 adding at the end the following new paragraph:

20 “(6) INCREASE IN LIMIT ON LOANS NOT TREAT-  
21 ED AS DISTRIBUTIONS WITH RESPECT TO 2012, 2013,  
22 AND 2014 DISASTERS.—

23 “(A) IN GENERAL.—In the case of any  
24 loan from a qualified employer plan to a quali-

1           fied individual made during the applicable pe-  
2           riod—

3                   “(i) clause (i) of paragraph (2)(A)  
4                   shall be applied by substituting ‘\$100,000’  
5                   for ‘\$50,000’, and

6                   “(ii) clause (ii) of such paragraph  
7                   shall be applied by substituting ‘the  
8                   present value of the nonforfeitable accrued  
9                   benefit of the employee under the plan’ for  
10                  ‘one-half of the present value of the non-  
11                  forfeitable accrued benefit of the employee  
12                  under the plan’.

13                  “(B) DELAY OF REPAYMENT.—In the case  
14                  of a qualified individual with an outstanding  
15                  loan on or after the applicable disaster date  
16                  from a qualified employer plan—

17                   “(i) if the due date pursuant to sub-  
18                   paragraph (B) or (C) of paragraph (2) for  
19                   any repayment with respect to such loan  
20                   occurs during the period beginning on the  
21                   applicable disaster date and ending on De-  
22                   cember 31, 2014, such due date shall be  
23                   delayed for 1 year,

24                   “(ii) any subsequent repayments with  
25                   respect to any such loan shall be appro-

1           priately adjusted to reflect the delay in the  
2           due date under clause (i) and any interest  
3           accruing during such delay, and

4           “(iii) in determining the 5-year period  
5           and the term of a loan under subpara-  
6           graph (B) or (C) of paragraph (2), the pe-  
7           riod described in clause (i) shall be dis-  
8           regarded.

9           “(C) DEFINITIONS.—For purposes of this  
10          paragraph—

11          “(i) QUALIFIED INDIVIDUAL.—The  
12          term ‘qualified individual’ means, with re-  
13          spect to any federally declared disaster oc-  
14          curring during 2012, 2013, or 2014, an in-  
15          dividual whose principal place of abode on  
16          the applicable disaster date is located in  
17          the disaster area and who has sustained an  
18          economic loss by reason of such federally  
19          declared disaster.

20          “(ii) APPLICABLE PERIOD.—The ap-  
21          plicable period is the period beginning on  
22          the applicable disaster date and ending on  
23          December 31, 2014.

24          “(iii) FEDERALLY DECLARED DIS-  
25          ASTER; DISASTER AREA.—The terms ‘fed-

1 erally declared disaster’ and ‘disaster area’  
2 have the meanings given such terms under  
3 section 165(h)(3)(C).

4 “(iv) APPLICABLE DISASTER DATE.—

5 The term ‘applicable disaster date’ means,  
6 with respect to any federally declared dis-  
7 aster, the date on which such federally de-  
8 clared disaster occurs.”.

9 (2) EFFECTIVE DATE.—The amendment made  
10 by this subsection shall apply to loans made with re-  
11 spect to disaster declared after December 31, 2011.

12 (c) PROVISIONS RELATING TO PLAN AMEND-  
13 MENTS.—

14 (1) IN GENERAL.—If this subsection applies to  
15 any amendment to any plan or annuity contract,  
16 such plan or contract shall be treated as being oper-  
17 ated in accordance with the terms of the plan during  
18 the period described in paragraph (2)(B)(i).

19 (2) AMENDMENTS TO WHICH SUBSECTION AP-  
20 PLIES.—

21 (A) IN GENERAL.—This subsection shall  
22 apply to any amendment to any plan or annuity  
23 contract which is made—

24 (i) pursuant to any provision of, or  
25 amendment made by, this section, or pur-



1           suant to any regulation issued by the Sec-  
2           retary or the Secretary of Labor under any  
3           provision of, or amendment made by, this  
4           section, and

5                   (ii) on or before the last day of the  
6           first plan year beginning on or after Janu-  
7           ary 1, 2015, or such later date as the Sec-  
8           retary may prescribe.

9           In the case of a governmental plan (as defined  
10          in section 414(d)), clause (ii) shall be applied  
11          by substituting the date which is 2 years after  
12          the date otherwise applied under clause (ii).

13          (B) CONDITIONS.—This subsection shall  
14          not apply to any amendment unless—

15                   (i) during the period—

16                           (I) beginning on the date that  
17                           the provisions of, and amendments  
18                           made by, this section or the regulation  
19                           described in subparagraph (A)(i)  
20                           takes effect (or in the case of a plan  
21                           or contract amendment not required  
22                           by the provisions of, or amendments  
23                           made by, this section or such regula-  
24                           tion, the effective date specified by the  
25                           plan), and

1 (II) ending on the date described  
2 in subparagraph (A)(ii) (or, if earlier,  
3 the date the plan or contract amend-  
4 ment is adopted),  
5 the plan or contract is operated as if such  
6 plan or contract amendment were in effect;  
7 and  
8 (ii) such plan or contract amendment  
9 applies retroactively for such period.

10 **SEC. 109. ADDITIONAL EXEMPTION FOR HOUSING QUALI-**  
11 **FIED DISASTER DISPLACED INDIVIDUALS.**

12 (a) IN GENERAL.—Section 151 of the Internal Rev-  
13 enue Code of 1986 is amended by adding at the end the  
14 following new subsection:

15 “(g) ADDITIONAL EXEMPTION FOR CERTAIN DIS-  
16 ASTER-DISPLACED INDIVIDUALS.—

17 “(1) IN GENERAL.—In the case of any taxable  
18 year beginning in 2012, 2013, or 2014, there shall  
19 be allowed an exemption of \$500 for each qualified  
20 disaster-displaced individual with respect to the tax-  
21 payer for the taxable year.

22 “(2) LIMITATIONS.—

23 “(A) DOLLAR LIMITATION.—The exemp-  
24 tion under paragraph (1) shall not exceed  
25 \$2,000, reduced by the amount of the exemp-

1           tion under this subsection for all prior taxable  
2           years.

3           “(B) INDIVIDUALS TAKEN INTO ACCOUNT  
4           ONLY ONCE.—An individual shall not be taken  
5           into account under paragraph (1) if such indi-  
6           vidual was taken into account under this sub-  
7           section by the taxpayer for any prior taxable  
8           year.

9           “(C) IDENTIFYING INFORMATION RE-  
10          QUIRED.—An individual shall not be taken into  
11          account under paragraph (1) for a taxable year  
12          unless the taxpayer identification number of  
13          such individual is included on the return of the  
14          taxpayer for such taxable year.

15          “(3) QUALIFIED DISASTER-DISPLACED INDI-  
16          VIDUAL.—

17                 “(A) IN GENERAL.—For purposes of this  
18                 subsection, the term ‘qualified disaster-dis-  
19                 placed individual’ means, with respect to any  
20                 taxpayer for any taxable year, any qualified in-  
21                 dividual if such individual is provided housing  
22                 free of charge by the taxpayer in the principal  
23                 residence of the taxpayer for a period of 60  
24                 consecutive days which ends in such taxable

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

3 “(B) QUALIFIED INDIVIDUAL.—The term  
4 ‘qualified individual’ means any individual  
5 who—

6 “(i) on the date of a federally declared  
7 disaster occurring during 2012, 2013, or  
8 2014 maintained such individual’s prin-  
9 cipal place of abode in the disaster area  
10 declared with respect to such disaster, and

11 “(ii) was displaced from such prin-  
12 cipal place of abode by reason of the feder-  
13 ally declared disaster.

14 For purposes of the preceding sentence, the  
15 terms ‘federally declared disaster’ and ‘disaster  
16 area’ have the meanings given such terms in  
17 section 165(h)(3).

18 “(4) COMPENSATION FOR HOUSING.—No de-  
19 duction shall be allowed under this subsection if the  
20 taxpayer receives any rent or other amount (from  
21 any source) in connection with the providing of such  
22 housing.”.

23 (b) EFFECTIVE DATE.—The amendment made by  
24 this section shall apply to taxable years beginning after  
25 December 31, 2011.

1 **SEC. 110. EXCLUSIONS OF CERTAIN CANCELLATIONS OF IN-**  
2 **DEBTEDNESS BY REASON OF 2012, 2013, OR**  
3 **2014 DISASTERS.**

4 (a) IN GENERAL.—Section 108 of the Internal Rev-  
5 enue Code of 1986 is amended by adding at the end the  
6 following new subsection:

7 “(j) DISCHARGE OF INDEBTEDNESS FOR INDIVID-  
8 UALS AFFECTED BY 2012, 2013, AND 2014 DISASTERS.—

9 “(1) IN GENERAL.—Except as provided in para-  
10 graph (2), gross income shall not include any  
11 amount which (but for this subsection) would be in-  
12 cludible in gross income by reason of any discharge  
13 (in whole or in part) of indebtedness of a natural  
14 person described in paragraph (3) by an applicable  
15 entity (as defined in section 6050P(c)(1)) during the  
16 applicable period.

17 “(2) EXCEPTIONS FOR BUSINESS INDEBTED-  
18 NESS.—Paragraph (1) shall not apply to any indebt-  
19 edness incurred in connection with a trade or busi-  
20 ness.

21 “(3) PERSONS DESCRIBED.—A natural person  
22 is described in this paragraph if the principal place  
23 of abode of such person on the applicable disaster  
24 date was located in the disaster area with respect to  
25 any federally declared disaster occurring during  
26 2012, 2013, or 2014.

1           “(4) APPLICABLE PERIOD.—For purposes of  
2 this subsection, the term ‘applicable period’ means  
3 the period beginning on the applicable disaster date  
4 and ending on the date which is 14 months after  
5 such date.

6           “(5) OTHER DEFINITIONS.—For purposes of  
7 this subsection—

8                   “(A) FEDERALLY DECLARED DISASTER;  
9 DISASTER AREA.—The terms ‘federally declared  
10 disaster’ and ‘disaster area’ have the meanings  
11 given such terms under section 165(h)(3)(C).

12                   “(B) APPLICABLE DISASTER DATE.—The  
13 term ‘applicable disaster date’ means, with re-  
14 spect to any federally declared disaster, the  
15 date on which such federally declared disaster  
16 occurs.”.

17           (b) EFFECTIVE DATE.—This section shall apply to  
18 discharges made on or after December 31, 2011.

19 **SEC. 111. SPECIAL RULE FOR DETERMINING EARNED IN-**  
20 **COME OF INDIVIDUALS AFFECTED BY FEDER-**  
21 **ALLY DECLARED DISASTERS.**

22           (a) IN GENERAL.—Section 32 of the Internal Rev-  
23 enue Code of 1986 is amended by adding at the end the  
24 following new subsection:

1       “(n) SPECIAL RULE FOR DETERMINING EARNED IN-  
2 COME OF TAXPAYERS AFFECTED BY FEDERALLY DE-  
3 CLARED DISASTERS.—

4           “(1) IN GENERAL.—In the case of a qualified  
5 individual with respect to any federally declared dis-  
6 aster occurring during 2012, 2013, or 2014, if the  
7 earned income of the taxpayer for the taxable year  
8 which includes the applicable disaster date is less  
9 than the earned income of the taxpayer for the pre-  
10 ceding taxable year, the credit allowed under this  
11 section and section 24(d) may, at the election of the  
12 taxpayer, be determined by substituting—

13           “(A) such earned income for the preceding  
14 taxable year, for

15           “(B) such earned income for the taxable  
16 year which includes the applicable date.

17           “(2) QUALIFIED INDIVIDUAL.—For purposes of  
18 this subsection, the term ‘qualified individual’  
19 means, with respect to any federally declared dis-  
20 aster occurring during 2012, 2013, or 2014, any in-  
21 dividual whose principal place of abode on the appli-  
22 cable disaster date, was located—

23           “(A) in any portion of a disaster area de-  
24 termined by the President to warrant individual  
25 or individual and public assistance under the

1 Robert T. Stafford Disaster Relief and Emer-  
2 gency Assistance Act by reason of the federally  
3 declared disaster, or

4 “(B) in any portion of the disaster area  
5 not described in subparagraph (A) and such in-  
6 dividual was displaced from such principal place  
7 of abode by reason of the federally declared dis-  
8 aster.

9 “(3) OTHER DEFINITIONS.—For purposes of  
10 this paragraph—

11 “(A) FEDERALLY DECLARED DISASTER;  
12 DISASTER AREA.—The terms ‘federally declared  
13 disaster’ and ‘disaster area’ have the meanings  
14 given such terms under section 165(h)(3)(C).

15 “(B) APPLICABLE DISASTER DATE.—The  
16 term ‘applicable disaster date’ means, with re-  
17 spect to any federally declared disaster, the  
18 date on which such federally declared disaster  
19 occurs.

20 “(4) SPECIAL RULES.—

21 “(A) APPLICATION TO JOINT RETURNS.—  
22 For purposes of paragraph (1), in the case of  
23 a joint return for a taxable year which includes  
24 the disaster date—



1                   “(i) such paragraph shall apply if ei-  
2                   ther spouse is a qualified individual, and

3                   “(ii) the earned income of the tax-  
4                   payer for the preceding taxable year shall  
5                   be the sum of the earned income of each  
6                   spouse for such preceding taxable year.

7                   “(B) UNIFORM APPLICATION OF ELEC-  
8                   TION.—Any election made under paragraph (1)  
9                   shall apply with respect to both sections 24(d)  
10                  and this section.

11                  “(C) ERRORS TREATED AS MATHEMATICAL  
12                  ERROR.—For purposes of section 6213, an in-  
13                  correct use on a return of earned income pursu-  
14                  ant to paragraph (1) shall be treated as a  
15                  mathematical or clerical error.

16                  “(D) NO EFFECT ON DETERMINATION OF  
17                  GROSS INCOME, ETC.—Except as otherwise pro-  
18                  vided in this subsection, this title shall be ap-  
19                  plied without regard to any substitution under  
20                  paragraph (1).”.

21                  (b) CHILD TAX CREDIT.—Section 24(d) of the Inter-  
22                  nal Revenue Code of 1986 is amended by adding at the  
23                  end the following new paragraph:

24                         “(5) SPECIAL RULE FOR DETERMINING  
25                         EARNED INCOME OF TAXPAYERS AFFECTED BY FED-

1 ERALLY DECLARED DISASTERS.—For election by  
2 qualified individuals with respect to certain federally  
3 declared disasters to substitute earned income from  
4 the preceding taxable year, see section 32(n).”.

5 (c) EFFECTIVE DATE.—The amendments made by  
6 this section shall apply to taxable years beginning after  
7 December 31, 2011.

8 **SEC. 112. INCREASE IN REHABILITATION CREDIT FOR**  
9 **BUILDINGS IN 2012, 2013, AND 2014 DISASTER**  
10 **AREAS.**

11 (a) IN GENERAL.—Section 47 of the Internal Rev-  
12 enue Code of 1986 is amended by adding at the end the  
13 following new subsection:

14 “(e) SPECIAL RULE FOR EXPENDITURES MADE IN  
15 CONNECTION WITH CERTAIN DISASTERS.—

16 “(1) IN GENERAL.—In the case of qualified re-  
17 habilitation expenditures paid or incurred during the  
18 applicable period with respect to any qualified reha-  
19 bilitated building or certified historic structure lo-  
20 cated in a disaster area with respect to any federally  
21 declared disaster occurring in 2012, 2013, or 2014,  
22 subsection (a) shall be applied—

23 “(A) by substituting ‘13 percent’ for ‘10  
24 percent’ in paragraph (1) thereof, and

1           “(B) by substituting ‘26 percent’ for ‘20  
2           percent’ in paragraph (2) thereof.

3           “(2) DEFINITIONS.—For purposes of this sub-  
4           section—

5           “(A) FEDERALLY DECLARED DISASTER;  
6           DISASTER AREA.—The terms ‘federally declared  
7           disaster’ and ‘disaster area’ have the meanings  
8           given such terms under section 165(h)(3)(C).

9           “(B) APPLICABLE PERIOD.—The term ‘ap-  
10           plicable period’ means the period beginning on  
11           the applicable disaster date and ending on De-  
12           cember 31, 2014.

13           “(C) APPLICABLE DISASTER DATE.—The  
14           term ‘applicable disaster date’ means, with re-  
15           spect to any federally declared disaster, the  
16           date on which such federally declared disaster  
17           occurs.”.

18           (b) EFFECTIVE DATE.—The amendments made by  
19           this section shall apply to amounts paid or incurred after  
20           December 31, 2011.

21           **SEC. 113. ADVANCED REFUNDINGS OF CERTAIN TAX-EX-**  
22           **EMPT BONDS.**

23           (a) IN GENERAL.—Section 149(d) of the Internal  
24           Revenue Code of 1986 is amended by redesignating para-

1 graph (7) as paragraph (8) and by inserting after para-  
2 graph (6) the following new paragraph:

3 “(7) SPECIAL RULE WITH RESPECT TO CER-  
4 TAIN NATURAL DISASTERS.—

5 “(A) IN GENERAL.—With respect to a  
6 bond described in subparagraph (C), one addi-  
7 tional advance refunding after the date of the  
8 enactment of this paragraph and before Janu-  
9 ary 1, 2017, shall be allowed under the rules of  
10 this subsection if—

11 “(i) the Governor of the State des-  
12 ignates the advance refunding bond for  
13 purposes of this subsection, and

14 “(ii) the requirements of subpara-  
15 graph (E) are met.

16 “(B) CERTAIN PRIVATE ACTIVITY  
17 BONDS.—With respect to a bond described in  
18 subparagraph (C) which is an exempt facility  
19 bond described in paragraph (1) or (2) of sec-  
20 tion 142(a), one advance refunding after the  
21 date of the enactment of this paragraph and be-  
22 fore January 1, 2017, shall be allowed under  
23 the applicable rules of this subsection (notwith-  
24 standing paragraph (2) thereof) if the require-

1           ments of clauses (i) and (ii) of subparagraph  
2           (A) are met.

3           “(C) BONDS DESCRIBED.—A bond is de-  
4           scribed in this paragraph if, with respect to any  
5           federally declared disaster, such bond—

6                   “(i) was outstanding on the applicable  
7                   disaster date, and

8                   “(ii) is issued by an applicable State  
9                   or a political subdivision thereof.

10           “(D) AGGREGATE LIMIT.—The maximum  
11           aggregate face amount of bonds which may be  
12           designated under this subsection by the Gov-  
13           ernor of a State shall not exceed  
14           \$4,500,000,000.

15           “(E) ADDITIONAL REQUIREMENTS.—The  
16           requirements of this subparagraph are met with  
17           respect to any advance refunding of a bond de-  
18           scribed in subparagraph (C) if—

19                   “(i) no advance refundings of such  
20                   bond would be allowed under this title on  
21                   or after the applicable disaster date,

22                   “(ii) the advance refunding bond is  
23                   the only other outstanding bond with re-  
24                   spect to the refunded bond, and

1           “(iii) the requirements of section 148  
2           are met with respect to all bonds issued  
3           under this paragraph.

4           “(F) DEFINITIONS.—For purposes of this  
5           subsection—

6           “(i) FEDERALLY DECLARED DIS-  
7           ASTER; DISASTER AREA.—The terms ‘fed-  
8           erally declared disaster’ and ‘disaster area’  
9           have the meanings given such terms under  
10          section 165(h)(3)(C).

11          “(ii) APPLICABLE DISASTER DATE.—  
12          The term ‘applicable disaster date’ means,  
13          with respect to any federally declared dis-  
14          aster, the date on which such federally de-  
15          clared disaster occurs.

16          “(iii) APPLICABLE STATE.—The term  
17          ‘applicable State’ means, with respect to  
18          any federally declared disaster, any State  
19          in which a portion of the disaster area is  
20          located.”.

21 **SEC. 114. QUALIFIED DISASTER AREA RECOVERY BONDS.**

22          (a) IN GENERAL.—Subpart A of part IV of sub-  
23          chapter B of chapter 1 of the Internal Revenue Code of  
24          1986 is amended by inserting after section 146 the fol-  
25          lowing new section:

1 **“SEC. 146A. QUALIFIED DISASTER AREA RECOVERY BONDS.**

2 “(a) IN GENERAL.—For purposes of this title, any  
3 qualified disaster area recovery bond shall—

4 “(1) be treated as an exempt facility bond, and

5 “(2) not be subject to section 146.

6 “(b) QUALIFIED DISASTER AREA RECOVERY  
7 BOND.—For purposes of this section, the term ‘qualified  
8 disaster area recovery bond’ means any bond issued as  
9 part of an issue if—

10 “(1) 95 percent or more of the net proceeds of  
11 such issue are to be used for qualified project costs,

12 “(2) such bond is issued by a State or any po-  
13 litical subdivision thereof any part of which is in a  
14 qualified disaster area,

15 “(3) the Governor of the issuing State des-  
16 ignates such bond for purposes of this section, and

17 “(4) such bond is issued after the date of the  
18 enactment of this section and before January 1,  
19 2016.

20 “(c) LIMITATION ON AMOUNT OF BONDS.—

21 “(1) IN GENERAL.—The maximum aggregate  
22 face amount of bonds which may be designated  
23 under this section by any State shall not exceed  
24 \$10,000,000,000.

1           “(2) MOVABLE PROPERTY.—No bonds shall be  
2 issued which are to be used for movable fixtures and  
3 equipment.

4           “(3) TREATMENT OF CURRENT REFUNDING  
5 BONDS.—Paragraph (1) shall not apply to any bond  
6 (or series of bonds) issued to refund a qualified dis-  
7 aster area recovery bond, if—

8                   “(A) the average maturity date of the issue  
9                   of which the refunding bond is a part is not  
10                   later than the average maturity date of the  
11                   bonds to be refunded by such issue,

12                   “(B) the amount of the refunding bond  
13                   does not exceed the outstanding amount of the  
14                   refunded bond, and

15                   “(C) the net proceeds of the refunding  
16                   bond are used to redeem the refunded bond not  
17                   later than 90 days after the date of the  
18                   issuance of the refunding bond.

19           For purposes of subparagraph (A), average maturity  
20 shall be determined in accordance with section  
21 147(b)(2)(A).

22           “(d) QUALIFIED PROJECT COSTS.—For purposes of  
23 this section, the term ‘qualified project costs’ means the  
24 cost of acquisition, construction, reconstruction, and ren-  
25 ovation of—



1           “(1) residential rental property (as defined in  
2           section 142(d)),

3           “(2) nonresidential real property (including  
4           fixed improvements associated with such property),

5           “(3) a facility described in paragraph (2) or (3)  
6           of section 142(a), or

7           “(4) public utility property (as defined in sec-  
8           tion 168(i)(10)),

9           which is located in a qualified disaster area and was dam-  
10          aged or destroyed by reason of a federally declared dis-  
11          aster.

12          “(e) SPECIAL RULES.—In applying this title to any  
13          qualified disaster area recovery bond, the following modi-  
14          fications shall apply:

15               “(1) Section 147(d) (relating to acquisition of  
16               existing property not permitted) shall be applied by  
17               substituting ‘50 percent’ for ‘15 percent’ each place  
18               it appears.

19               “(2) Section 148(f)(4)(C) (relating to exception  
20               from rebate for certain proceeds to be used to fi-  
21               nance construction expenditures) shall apply to the  
22               available construction proceeds of bonds issued  
23               under this section. For purposes of the preceding  
24               sentence, the following spending requirements shall

1       apply in lieu of the requirements in clause (ii) of  
2       such section:

3               “(A) 40 percent of such available construc-  
4               tion proceeds are spent for the governmental  
5               purposes of the issue within the 2-year period  
6               beginning on the date the bonds are issued,

7               “(B) 60 percent of such proceeds are spent  
8               for such purposes within the 3-year period be-  
9               ginning on such date,

10              “(C) 80 percent of such proceeds are spent  
11              for such purposes within the 4-year period be-  
12              ginning on such date, and

13              “(D) 100 percent of such proceeds are  
14              spent for such purposes within the 5-year pe-  
15              riod beginning on such date.

16              “(3) Repayments of principal on financing pro-  
17              vided by the issue—

18                      “(A) may not be used to provide financing,  
19                      and

20                      “(B) must be used not later than the close  
21                      of the 1st semiannual period beginning after  
22                      the date of the repayment to redeem bonds  
23                      which are part of such issue.

24              The requirement of subparagraph (B) shall be treat-  
25              ed as met with respect to amounts received within

1 5 years after the date of issuance of the issue (or,  
2 in the case of a refunding bond, the date of issuance  
3 of the original bond) if such amounts are used by  
4 the close of such 5 years to redeem bonds which are  
5 part of such issue.

6 “(4) Section 57(a)(5) shall not apply.

7 “(f) SEPARATE ISSUE TREATMENT OF PORTIONS OF  
8 AN ISSUE.—This section shall not apply to the portion of  
9 an issue which (if issued as a separate issue) would be  
10 treated as a qualified bond or as a bond that is not a  
11 private activity bond (determined without regard to para-  
12 graph (1)), if the issuer elects to so treat such portion.

13 “(g) QUALIFIED DISASTER AREA; FEDERALLY DE-  
14 CLARED DISASTER.—

15 “(1) QUALIFIED DISASTER AREA.—The term  
16 ‘qualified disaster area’ means any area determined  
17 to warrant individual or individual and public assist-  
18 ance from the Federal Government under the Robert  
19 T. Stafford Disaster Relief and Emergency Assist-  
20 ance Act by reason of a federally declared disaster  
21 occurring during the period beginning after Decem-  
22 ber 31, 2011, and before January 1, 2015.

23 “(2) FEDERALLY DECLARED DISASTER.—The  
24 term ‘federally declared disaster’ has the meaning  
25 given to such term under section 165(h)(3)(C).”.

1 (b) CLERICAL AMENDMENT.—The table of sections  
 2 for subpart A of part IV of subchapter B of chapter 1  
 3 of such Code is amended by inserting after the item relat-  
 4 ing to section 146 the following new item:

“Sec. 146A. Qualified disaster area recovery bonds.”.

5 (c) EFFECTIVE DATE.—The amendments made by  
 6 this section shall apply to obligations issued after the date  
 7 of the enactment of this Act.

8 **SEC. 115. ADDITIONAL LOW-INCOME HOUSING CREDIT AL-**  
 9 **LOCATIONS.**

10 (a) IN GENERAL.—Paragraph (3) of section 42(h) of  
 11 the Internal Revenue Code of 1986 (relating to limitation  
 12 on aggregate credit allowable with respect to projects lo-  
 13 cated in a State) is amended by adding at the end the  
 14 following new subparagraph:

15 “(J) INCREASE IN STATE HOUSING CREDIT  
 16 FOR STATES DAMAGED BY NATURAL DISAS-  
 17 TERS.—

18 “(i) IN GENERAL.—In the case of cal-  
 19 endar year 2014, the State housing credit  
 20 ceiling of each State any portion of which  
 21 includes any portion of a qualifying dis-  
 22 aster area shall be increased by so much of  
 23 the aggregate housing credit dollar amount  
 24 as does not exceed the applicable limitation  
 25 allocated by the State housing credit agen-

1 cy of such State for such calendar year to  
2 buildings located in qualifying disaster  
3 areas.

4 “(ii) APPLICABLE LIMITATION.—For  
5 purposes of clause (i), the applicable limi-  
6 tation is the greater of—

7 “(I) \$8 multiplied by the popu-  
8 lation of the qualifying disaster areas  
9 in such State, or

10 “(II) 50 percent of the State  
11 housing credit ceiling (determined  
12 without regard to this subparagraph)  
13 for 2013.

14 “(iii) APPLICABLE PERCENTAGE.—  
15 For purposes of this section, the applicable  
16 percentage with respect to any building to  
17 which amounts allocated under clause (i)  
18 shall be determined under subsection  
19 (b)(2), except that subparagraph (A)  
20 thereof shall be applied by substituting  
21 ‘January 1, 2015’ for ‘January 1, 2014’.

22 “(iv) ALLOCATIONS TREATED AS  
23 MADE FIRST FROM ADDITIONAL ALLOCA-  
24 TION AMOUNT FOR PURPOSES OF DETER-  
25 MINING CARRYOVER.—For purposes of de-

1           termining the unused State housing credit  
2           ceiling under subparagraph (C) for any  
3           calendar year, any increase in the State  
4           housing credit ceiling under clause (i) shall  
5           be treated as an amount described in  
6           clause (ii) of such subparagraph.

7           “(v) QUALIFYING DISASTER AREA.—  
8           For purposes of this subparagraph, the  
9           term ‘qualifying federally declared disaster  
10          area’ means—

11                   “(I) each county which is deter-  
12                   mined to warrant individual or indi-  
13                   vidual and public assistance from the  
14                   Federal Government under a quali-  
15                   fying natural disaster declaration de-  
16                   scribed in clause (vi)(I), and

17                   “(II) each county not described  
18                   in subclause (I) which is included in  
19                   the geographical area covered by a  
20                   qualifying natural disaster declaration  
21                   described in subclause (II) or (III) of  
22                   clause (vi).

23           “(vi) QUALIFYING NATURAL DISASTER  
24          DECLARATION.—For purposes of clause

1 (v), the term ‘qualifying natural disaster  
2 declaration’ means—

3 “(I) a federally declared disaster  
4 (as defined in section 165(h)(3)(C))  
5 occurring during the period beginning  
6 after December 31, 2011, and before  
7 January 1, 2015,

8 “(II) a natural disaster declared  
9 by the Secretary of Agriculture in  
10 2011 due to damaging weather and  
11 other conditions relating to Hurricane  
12 Irene or Tropical Storm Lee under  
13 section 321(a) of the Consolidated  
14 Farm and Rural Development Act (7  
15 U.S.C. 1961(a)), or

16 “(III) a major disaster or emer-  
17 gency designated by the President in  
18 2011 due to damaging weather and  
19 other conditions relating to Hurricane  
20 Irene or Tropical Storm Lee under  
21 the Robert T. Stafford Disaster Relief  
22 and Emergency Assistance Act (42  
23 U.S.C. 5121 et seq.).”.

1 (b) EFFECTIVE DATE.—The amendment made by  
2 this section shall take effect on the date of the enactment  
3 of this Act.

4 **SEC. 116. FACILITATION OF TRANSFER OF WATER LEASING**  
5 **AND WATER BY MUTUAL DITCH OR IRRIGA-**  
6 **TION COMPANIES IN DISASTER AREAS.**

7 (a) IN GENERAL.—Paragraph (12) of section 501(c)  
8 of the Internal Revenue Code of 1986 is amended by add-  
9 ing at the end the following new subparagraph:

10 “(I) TREATMENT OF MUTUAL DITCH OR  
11 IRRIGATION COMPANIES IN CERTAIN DISASTER  
12 AREAS.—

13 “(i) IN GENERAL.—In the case of a  
14 qualified mutual ditch or irrigation com-  
15 pany or like organization, subparagraph  
16 (A) shall be applied without taking into ac-  
17 count any income received or accrued dur-  
18 ing the applicable period—

19 “(I) from the sale, lease, or ex-  
20 change of fee or other interests in real  
21 property, including interests in water,

22 “(II) from the sale or exchange  
23 of stock in a mutual ditch or irriga-  
24 tion company or like organization or



1 contract rights for the delivery or use  
2 of water,

3 “(III) from the investment of  
4 proceeds from sales, leases, or ex-  
5 changes under subclauses (I) and (II),  
6 or

7 “(IV) from the United States, or  
8 a State or local government, resulting  
9 from the federally declared disaster,  
10 except that any income received under sub-  
11 clause (I), (II), (III), or (IV) which is dis-  
12 tributed or expended for expenses (other  
13 than for operations, maintenance, and cap-  
14 ital improvements) of the qualified mutual  
15 ditch or irrigation company or like organi-  
16 zation shall be treated as nonmember in-  
17 come in the year in which it is distributed  
18 or expended.

19 “(ii) QUALIFIED MUTUAL DITCH OR  
20 IRRIGATION COMPANY OR LIKE ORGANIZA-  
21 TION.—For purposes of this paragraph—

22 “(I) IN GENERAL.—The term  
23 ‘qualified mutual ditch or irrigation  
24 company or like organization’ means  
25 any mutual ditch or irrigation com-

1           pany or like organization that di-  
2           verted, delivered, transported, stored,  
3           or used its water for agricultural irri-  
4           gation purposes on its own or through  
5           its shareholders in a qualified disaster  
6           area during 2012, 2013, or 2014.

7           “(II) QUALIFIED ASSET.—The  
8           term ‘qualified asset’ means any real  
9           property or tangible personal property  
10          used in the mutual ditch or irrigation  
11          company’s (or like organization’s) sys-  
12          tem.

13          “(III) MULTIPLE AREAS.—Under  
14          regulations, if the qualified assets of  
15          any mutual ditch or irrigation com-  
16          pany or like organization are located  
17          in more than 1 qualified disaster area,  
18          all such areas shall be treated as 1  
19          area and if more than 1 federally de-  
20          clared disaster is involved, the date on  
21          which the last of such disasters oc-  
22          curred shall be the date used for pur-  
23          poses of this paragraph.

24          “(iii) APPLICABLE PERIOD.—For pur-  
25          poses of this paragraph, the term ‘applica-

1 ble period' means the taxable year in which  
2 the federally declared disaster occurred  
3 and the 5 following taxable years.

4 “(iv) OTHER DEFINITIONS.—

5 “(I) QUALIFIED DISASTER  
6 AREA.—The term ‘qualified disaster  
7 area’ means any area determined to  
8 warrant individual or individual and  
9 public assistance from the Federal  
10 Government under the Robert T.  
11 Stafford Disaster Relief and Emer-  
12 gency Assistance Act by reason of a  
13 federally declared disaster occurring  
14 during the period beginning on Janu-  
15 ary 1, 2012, and ending on December  
16 31, 2014.

17 “(II) FEDERALLY DECLARED  
18 DISASTER.—The term ‘federally de-  
19 clared disaster’ has the meaning given  
20 to such term under section  
21 165(h)(3)(C).”.

22 (b) EFFECTIVE DATE.—The amendment made by  
23 subsection (a) shall apply to taxable years ending after  
24 December 31, 2011.

1 **TITLE II—OTHER DISASTER TAX**  
2 **RELIEF PROVISIONS**

3 **SEC. 201. EXCLUSION FOR DISASTER MITIGATION PAY-**  
4 **MENTS RECEIVED FROM STATE AND LOCAL**  
5 **GOVERNMENTS.**

6 (a) IN GENERAL.—Paragraph (2) of section 139(g)  
7 of the Internal Revenue Code of 1986 is amended by in-  
8 serting “, or any other amount which is paid by a State  
9 or local government or agency or instrumentality thereof,”  
10 after “(as in effect on such date)”.

11 (b) EFFECTIVE DATE.—The amendment made by  
12 this section shall apply to payments received after the date  
13 of the enactment of this Act.

14 **SEC. 202. NATURAL DISASTER FUNDS.**

15 (a) NATURAL DISASTER FUND.—Subpart C of part  
16 II of subchapter E of chapter 1 of the Internal Revenue  
17 Code of 1986 is amended by inserting after section 468B  
18 the following new section:

19 **“SEC. 468C. SPECIAL RULES FOR NATURAL DISASTER**  
20 **FUNDS.**

21 “(a) IN GENERAL.—If a qualified taxpayer elects the  
22 application of this section, there shall be allowed as a de-  
23 duction for any taxable year the amount of payments  
24 made by the taxpayer to a natural disaster fund during  
25 such taxable year.

1       “(b) NATURAL DISASTER FUND.—The term ‘natural  
2 disaster fund’ means a fund meeting the following require-  
3 ments:

4           “(1) DESIGNATION.—The taxpayer des-  
5 ignates—

6               “(A) the fund as a natural disaster fund in  
7 the manner prescribed by the Secretary, and

8               “(B) the line or lines of business to which  
9 the fund applies.

10          “(2) SEGREGATION.—The assets of the fund  
11 are segregated from other assets of the taxpayer.

12          “(3) INVESTMENTS.—

13               “(A) The assets of the fund are main-  
14 tained in one or more qualified accounts and  
15 are invested only in—

16                   “(i) deposits with banks whose depos-  
17 its are insured subject to applicable limits  
18 by the Federal Deposit Insurance Corpora-  
19 tion, or

20                   “(ii) in stock or other securities in  
21 which the fund would be permitted to in-  
22 vest if it were a capital construction fund  
23 subject to the investment limitations of  
24 paragraphs (2) and (3) of section  
25 7518(b)(2).

1           “(B) All investment earnings (including  
2           gains and losses) from investments of the fund  
3           become part of the fund.

4           “(4) CONTRIBUTIONS TO THE FUND.—The  
5           fund does not accept any deposits (or other  
6           amounts) other than cash payments with respect to  
7           which a deduction is allowable under subsection (a)  
8           and earnings (including gains and losses) from fund  
9           investments.

10           “(5) PURPOSE.—The fund is established and  
11           maintained for the purposes of covering costs, ex-  
12           penses, and losses (including business interruption  
13           losses) resulting from a Federally declared natural  
14           disaster to the extent such costs are not covered by  
15           insurance.

16           “(6) MAXIMUM BALANCE.—The balance of the  
17           fund does not exceed the lesser of—

18                   “(A) the sum of—

19                           “(i) 150 percent of the maximum de-  
20                           ductible, and

21                           “(ii) 100 percent of the maximum co-  
22                           insurance (to the extent not taken into ac-  
23                           count in clause (i)),

24           that, in the case of a Federally declared natural  
25           disaster resulting in losses, the taxpayer could

1 be expected to pay with respect to property and  
2 business interruption insurance maintained by  
3 the taxpayer for the line of business to which  
4 the fund applies and that would cover losses re-  
5 sulting from a Federally declared natural dis-  
6 aster, and

7 “(B) the maximum loss under any insur-  
8 ance coverage that the taxpayer could reason-  
9 ably expect to occur for the line of business in  
10 the case of a severe natural disaster.

11 “(7) FINANCIAL STATEMENTS.—The fund or  
12 the balance of the fund is recorded in the taxpayer’s  
13 financial statements in accordance with generally ac-  
14 cepted accounting principles and not as a current  
15 asset and the footnotes to the taxpayer’s financial  
16 statements include a short description of the fund  
17 and its purposes.

18 “(8) INSURANCE.—The taxpayer property in-  
19 surance maintained by the qualified taxpayer applies  
20 to 75 percent or more of the property used—

21 “(A) in the qualified taxpayer’s line of  
22 business to which the fund relates, and

23 “(B) in the United States.

1       “(c) QUALIFIED TAXPAYER.—For purposes of this  
2 section, the term ‘qualified taxpayer’ means any taxpayer  
3 that—

4               “(1) actively conducts a trade or business, and

5               “(2) maintains property insurance with respect  
6 to such trade or business that insures against losses  
7 in natural disasters.

8       “(d) FAILURE TO MEET REQUIREMENTS.—If a fund  
9 that was a natural disaster fund ceases to meet any of  
10 the requirements of subsection (b) or a taxpayer who has  
11 a natural disaster fund ceases to meet the requirement  
12 of subsection (c), the entire balance of the fund shall be  
13 deemed distributed in a nonqualified distribution at the  
14 time the fund ceases to meet such requirements.

15       “(e) TAXATION OF FUND.—

16               “(1) IN GENERAL.—The earnings (including  
17 gains and losses) from the investment and reinvest-  
18 ment of amounts held in the fund shall not be taken  
19 into account in determining the gross income of the  
20 taxpayer that owns the fund.

21               “(2) NOT A SEPARATE TAXPAYER.—A natural  
22 disaster fund shall not be considered a separate tax-  
23 payer for purposes of this subtitle.

24       “(f) TAXATION OF DISTRIBUTIONS FROM THE  
25 FUND.—



1           “(1) QUALIFIED DISTRIBUTIONS.—For pur-  
2 poses of this chapter, qualified distributions shall be  
3 treated in the same manner as proceeds from prop-  
4 erty or business interruption insurance.

5           “(2) NONQUALIFIED DISTRIBUTIONS.—

6           “(A) IN GENERAL.—In the case of any  
7 taxable year for which there is a nonqualified  
8 distribution—

9           “(i) such nonqualified distributions  
10 shall be excluded from the gross income of  
11 the taxpayer, and

12           “(ii) the tax imposed by this chapter  
13 (determined without regard to this sub-  
14 section) shall be increased by the product  
15 of the amount of such nonqualified dis-  
16 tribution and the highest rate of tax speci-  
17 fied in section 1 (section 11 in the case of  
18 a corporation).

19           “(B) TAX BENEFIT RULE; COORDINATION  
20 WITH DEDUCTION FOR NET OPERATING  
21 LOSSES.—Rules similar to the rules of subpara-  
22 graphs (B) and (C) of section 7518(g)(6) shall  
23 apply for purposes of this paragraph.

24           “(3) ADDITIONAL TAX.—The tax imposed by  
25 this chapter for any taxable year on any taxpayer

1 that a owns natural disaster fund shall be increased  
2 by the greater of—

3 “(A) 20 percent of the amount of any non-  
4 qualified distributions from the fund in the tax-  
5 able year, and

6 “(B) an amount equal to interest, at the  
7 underpayment rate established under section  
8 6621, on the nonqualified distribution from the  
9 time the amount is added to the fund to the  
10 time the amount is distributed.

11 “(4) INTEREST CALCULATION.—For purposes  
12 of calculating interest under paragraph (3)(B)—

13 “(A) all investment earnings (including  
14 gains or losses) in taxable year shall be treated  
15 as added to the fund on the last day of the tax-  
16 able year, and

17 “(B) amounts distributed from the fund  
18 shall be treated as distributed on a first-in,  
19 first-out basis.

20 “(g) DEFINITIONS.—For purposes of this section—

21 “(1) FEDERALLY DECLARED NATURAL DIS-  
22 ASTER.—The term ‘Federally declared natural dis-  
23 aster’ means a natural disaster that is determined  
24 by Presidential declaration under the Robert T.  
25 Stafford Disaster Relief and Emergency Assistance

1 Act to warrant individual or individual and public  
2 assistance under such Act.

3 “(2) NONQUALIFIED DISTRIBUTION.—The term  
4 ‘nonqualified distribution’ means a distribution from  
5 a natural disaster fund other than a qualified dis-  
6 tribution.

7 “(3) QUALIFIED ACCOUNT.—The term ‘quali-  
8 fied account’ means an account with a bank (as de-  
9 fined in section 581) or a brokerage account but  
10 only if the investments of such accounts are limited  
11 to those permitted by subsection (b)(3) and no in-  
12 vestments are made in a related person (as defined  
13 in section 465(b)(3)(C)) to the taxpayer.

14 “(4) QUALIFIED DISTRIBUTION.—

15 “(A) IN GENERAL.—The term ‘qualified  
16 distribution’ means with respect to natural dis-  
17 aster fund an amount equal to the excess of—

18 “(i) costs, expenses, and losses (in-  
19 cluding losses of a type reimbursable by  
20 proceeds of business interruption insur-  
21 ance) incurred by the taxpayer as a result  
22 of the Federally declared natural disaster  
23 with respect to the line or lines of business  
24 for which the fund was designated, over

1           “(ii) the proceeds of property and  
2           business interruption insurance paid for  
3           the benefit of the taxpayer with respect to  
4           costs, expenses, and losses described in  
5           clause (i).

6           “(B) LIMITATION.—A distribution from a  
7           natural disaster fund shall not be treated as a  
8           qualified distribution if such distribution is allo-  
9           cated to a Federally declared natural disaster  
10          occurring more than 3 years before the date of  
11          such distribution.

12          “(h) SPECIAL RULES.—For purposes of this sec-  
13          tion—

14               “(1) NO DOUBLE COUNTING.—Any portion of  
15               any deductible or coinsurance taken into account  
16               under subsection (b)(6) in determining the max-  
17               imum balance for a natural disaster fund shall not  
18               be taken into account in determining the maximum  
19               balance for another natural disaster fund.

20               “(2) EXCESS BALANCE.—

21                       “(A) IN GENERAL.—If the balance of a  
22                       natural disaster fund exceeds the maximum bal-  
23                       ance permitted by subsection (b)(6) by reason  
24                       of investment earnings or a reduction in the  
25                       maximum balance, the account shall not cease

1 to be a natural disaster fund as the result of  
2 exceeding such limit if the excess is distributed  
3 within 120 days of the date that such excess  
4 first occurred.

5 “(B) TREATMENT OF DISTRIBUTIONS OF  
6 EXCESS BALANCE.—In the case of any distribu-  
7 tion of the excess balance of a natural disaster  
8 fund within 120 days of the date that such ex-  
9 cess first occurred—

10 “(i) paragraphs (2) and (3) of sub-  
11 section (f) shall not apply to the distribu-  
12 tion of such excess if distributed within  
13 such period, and

14 “(ii) the amount of such distribution  
15 shall be included in the gross income of the  
16 taxpayer in the year such distribution was  
17 made.

18 “(C) ANTI-ABUSE RULE.—Subparagraph  
19 (B) shall not apply in the case of any reduction  
20 in the maximum balance resulting from any ac-  
21 tion of the taxpayer the primary purpose of  
22 which was to reduce the maximum balance to  
23 enable a distribution that would not be subject  
24 to the maximum tax rate calculation or the ad-  
25 ditional tax.

1           “(3) CERTAIN ASSET ACQUISITIONS.—The  
2 transfer of a natural disaster fund (or the portion of  
3 a natural disaster fund) from one person to another  
4 person shall not constitute a nonqualified distribu-  
5 tion if—

6           “(A) such transfer is part of a trans-  
7 action—

8           “(i) to which section 381 applies,

9           “(ii) the transferee acquires substan-  
10 tially all of the assets of the transferor  
11 used in the line or lines of business for  
12 which the fund was designated,

13           “(iii) the transferee acquires substan-  
14 tially all of the assets of the transferor  
15 used in one, but not all, of the lines of  
16 business for which the fund was des-  
17 ignated, or

18           “(iv) the transferee acquires substan-  
19 tially all of the transferor’s assets located  
20 in a geographical area and used in a line  
21 of business for which the fund was des-  
22 ignated, and

23           “(B) the transferee elects to treat the ac-  
24 quired natural disaster fund (or portion there-  
25 of) as a natural disaster fund for the line of

1 business for which the transferor had previously  
2 designated the fund and as a continuation of  
3 the fund (or pro rata portion thereof) for pur-  
4 poses of determining the additional tax imposed  
5 by subsection (f)(4).

6 “(i) REGULATIONS.—The Secretary shall prescribe  
7 such regulations as may be necessary or appropriate to  
8 carry out the provisions of this section.”.

9 (b) CLERICAL AMENDMENT.—The table of sections  
10 for subpart C of part II of subchapter E of chapter 1 of  
11 the Internal Revenue Code of 1986 is amended by insert-  
12 ing after the item relating to section 468B the following  
13 new item:

“Sec. 468C. Special rules for natural disaster funds.”.

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

○