I

115TH CONGRESS
1ST SESSION

H. R. 3679

To amend the Internal Revenue Code of 1986 to provide tax relief for major disasters declared in any of calendar years 2012 through 2015, to make certain tax relief provisions permanent, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 5, 2017

Mr. REED (for himself and Mr. PASCRELL) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to provide tax relief for major disasters declared in any of calendar years 2012 through 2015, to make certain tax relief provisions permanent, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the "National Disaster Tax Relief Act of 2017".

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

TITLE I—TAX RELIEF RELATING TO DISASTERS IN 2012, 2013, 2014, AND 2015

TITLE II—OTHER DISASTER TAX RELIEF PROVISIONS

TITLE III—PERMANENT DISASTER TAX RELIEF PROVISIONS

TITLE I—TAX RELIEF RELATING TO DISASTERS IN 2012, 2013, 2014, AND 2015

SEC. 101. EXPENSING OF QUALIFIED DISASTER EXPENSES.

(a) IN GENERAL.—Part VI of subchapter B of chapter 1 of the Internal Revenue Code of 1986 is amended by inserting after section 198 the following:

"SEC. 198A. EXPENSING OF QUALIFIED DISASTER EXPENSES.

"(a) IN GENERAL.—A taxpayer may elect to treat any qualified disaster expenses which are paid or incurred by the taxpayer as an expense which is not chargeable to capital account. Any expense which is so treated shall be allowed as a deduction for the taxable year in which it is paid or incurred.

"(b) QUALIFIED DISASTER EXPENSE.—For purposes of this section, the term 'qualified disaster expense' means any expenditure—

"(1) which is paid or incurred in connection with a trade or business or with business-related property,

"(2) which is—

"(A) for the abatement or control of hazardous substances that were released on account of a federally declared disaster occurring during the period beginning—

“(i) after December 31, 2007, and before January 1, 2010, or

“(ii) after December 31, 2011, and before January 1, 2016,

“(B) for the removal of debris from, or the demolition of structures on, real property which is business-related property damaged or destroyed as a result of a federally declared disaster occurring during any such period, or

“(C) for the repair of business-related property damaged as a result of a federally declared disaster occurring during any such period, and

“(3) which is otherwise chargeable to capital account.

“(c) OTHER DEFINITIONS.—For purposes of this section—

“(1) BUSINESS-RELATED PROPERTY.—The term ‘business-related property’ means property—

“(A) held by the taxpayer for use in a trade or business or for the production of income, or

"(B) described in section 1221(a)(1) in the hands of the taxpayer.

"(2) FEDERALLY DECLARED DISASTER.—The term 'federally declared disaster' has the meaning given such term by section 165(i)(5)(A).

"(d) DEDUCTION RECAPTURED AS ORDINARY INCOME ON SALE, ETC.—Solely for purposes of section 1245, in the case of property to which a qualified disaster expense would have been capitalized but for this section—

"(1) the deduction allowed by this section for such expense shall be treated as a deduction for depreciation, and

"(2) such property (if not otherwise section 1245 property) shall be treated as section 1245 property solely for purposes of applying section 1245 to such deduction.

"(e) COORDINATION WITH OTHER PROVISIONS.—Sections 198, 280B, and 468 shall not apply to amounts which are treated as expenses under this section.

"(f) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this section.".

(b) CLERICAL AMENDMENT.—The table of sections for part VI of subchapter B of chapter 1 of the Internal

Revenue Code of 1986 is amended by inserting after the item relating to section 198 the following item:

"Sec. 198A. Expensing of qualified disaster expenses.".

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

SEC. 102. INCREASED LIMITATION ON CHARITABLE CONTRIBUTIONS FOR DISASTER RELIEF.

(a) INDIVIDUALS.—Paragraph (1) of section 170(b) of the Internal Revenue Code of 1986 is amended by redesignating subparagraphs (F) and (G) as subparagraphs (G) and (H), respectively, and by inserting after subparagraph (E) the following new subparagraph:

"(F) QUALIFIED DISASTER CONTRIBUTIONS.—

"(i) IN GENERAL.—Any qualified disaster contribution shall be allowed to the extent that the aggregate of such contributions does not exceed the excess of 80 percent of the taxpayer's contribution base over the amount of all other charitable contributions allowable under this paragraph.

"(ii) CARRYOVER.—If the aggregate amount of contributions described in clause

(i) exceeds the limitation under clause (i), such excess shall be treated (in a manner consistent with the rules of subsection (d)(1)) as a charitable contribution to which clause (i) applies in each of the 5 succeeding years in order of time.

"(iii) COORDINATION WITH OTHER SUBPARAGRAPHS.—For purposes of applying this subsection and subsection (d)(1), contributions described in clause (i) shall not be treated as described in subparagraph (A) and such subparagraph shall be applied without regard to such contributions.

"(iv) QUALIFIED DISASTER CONTRIBUTIONS.—For purposes of this subparagraph, the term 'qualified disaster contribution' means any charitable contribution if—

"(I) such contribution is for relief efforts related to a federally declared disaster (as defined in section 165(h)(3)(C)(i)),

"(II) such contribution is made during the period beginning on the applicable disaster date with respect to the disaster described in subclause (I) and ending on December 31, 2015, and

"(III) such contribution is made in cash to an organization described in subparagraph (A) (other than an organization described in section 509(a)(3)).

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

"(v) APPLICABLE DISASTER DATE.—For purposes of clause (iv)(II), the term 'applicable disaster date' means, with respect to any federally declared disaster described in clause (iv)(I), the date on which the disaster giving rise to the Presidential declaration described in section 165(i)(5)(A) occurred.

"(vi) SUBSTANTIATION REQUIREMENT.—This paragraph shall not apply to any qualified disaster contribution unless the taxpayer obtains from such organization to which the contribution was made a contemporaneous written acknowledgment (within the meaning of subsection (f)(8)) that such contribution was used (or is to be used) for a purpose described in clause (iv)(III).''.

(b) CORPORATIONS.—

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

''(C) QUALIFIED DISASTER CONTRIBUTIONS.—

''(i) IN GENERAL.—Any qualified disaster contribution shall be allowed to the extent that the aggregate of such contributions does not exceed the excess of 20 percent of the taxpayer's taxable income over the amount of charitable contributions allowed under subparagraph (A).

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

"(iii) QUALIFIED DISASTER CONTRIBUTION.—The term 'qualified disaster contribution' has the meaning given such term under paragraph (2)(F)(iv).

"(iv) SUBSTANTIATION REQUIREMENT.—This paragraph shall not apply to any qualified disaster contribution unless the taxpayer obtains from such organization to which the contribution was made a contemporaneous written acknowledgment (within the meaning of subsection (f)(8)) that such contribution was used (or is to be used) for a purpose described in paragraph (1)(F)(iv)(III).".

(2) CONFORMING AMENDMENTS.—

(A) Subparagraph (A) of section 170(b)(2) of such Code is amended by striking "subparagraph (B) applies" and inserting "subparagraphs (B) and (C) apply".

(B) Subparagraph (B) of section 170(b)(2) of such Code is amended by striking ‘‘subparagraph (A)’’ and inserting ‘‘subparagraphs (A) and (C)’’.

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

SEC. 103. LOSSES ATTRIBUTABLE TO DISASTERS IN 2012, 2013, 2014, AND 2015.

(a) IN GENERAL.—Section 165(h) of the Internal Revenue Code of 1986 is amended by redesignating paragraphs (3) and (4) as paragraphs (4) and (5), respectively, and by inserting after paragraph (2) the following:

‘‘(3) SPECIAL RULE FOR LOSSES IN FEDERALLY DECLARED DISASTERS.—

‘‘(A) IN GENERAL.—If an individual has a net disaster loss for any taxable year, the amount determined under paragraph (2)(A)(ii) shall be the sum of—

‘‘(i) such net disaster loss, and

‘‘(ii) so much of the excess referred to in the matter preceding clause (i) of paragraph (2)(A) (reduced by the amount in clause (i) of this subparagraph) as exceeds

10 percent of the adjusted gross income of the individual.

"(B) NET DISASTER LOSS.—For purposes of subparagraph (A), the term 'net disaster loss' means the excess of—

"(i) the personal casualty losses—

"(I) attributable to a federally declared disaster occurring during the period beginning after December 31, 2007, and before January 1, 2010, or during the period beginning after December 31, 2011, and before January 1, 2016, and

"(II) occurring in a disaster area, over

"(ii) personal casualty gains.

"(C) FEDERALLY DECLARED DISASTER.—For purposes of this paragraph—

"(i) FEDERALLY DECLARED DISASTER.—The term 'federally declared disaster' has the meaning given such term by subsection (i)(5)(A).

"(ii) DISASTER AREA.—The term 'disaster area' has the meaning given such term by subsection (i)(5)(B).".

(b) CONFORMING AMENDMENT.—Paragraph (4) of section 165(h) of such Code, as so redesignated, is amended by striking ''paragraph (2)'' and inserting ''paragraphs (2) and (3)''.

(c) LOSS ALLOWED WHETHER OR NOT INDIVIDUAL ITEMIZED DEDUCTIONS.—Section 62(a) of the Internal Revenue Code of 1986 is amended by inserting after paragraph (21) the following new paragraph:

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

(d) TECHNICAL AMENDMENT.—Subparagraph (A) of section 165(i)(5) of the Internal Revenue Code of 1986 is amended by inserting ''major'' after ''means any''.

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

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

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

(A) claims a deduction for any taxable year with respect to a casualty loss to a principal residence (within the meaning of section 121 of such Code) resulting from any federally declared disaster (as defined in section 165(h)(3)(C) of such Code) occurring during the period beginning after December 31, 2011, and before January 1, 2016, and

(B) in a subsequent taxable year receives a grant under any Federal or State program as reimbursement for such loss,

such taxpayer may elect to file an amended income tax return for the taxable year in which such deduction was allowed (and for any taxable year to which such deduction is carried) and reduce (but not below zero) the amount of such deduction by the amount of such reimbursement.

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

(A) the due date for filing the tax return for the taxable year in which the taxpayer receives such grant, or

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

(3) WAIVER OF PENALTIES AND INTEREST.—Any underpayment of tax resulting from the reduction under paragraph (1) of the amount otherwise allowable as a deduction shall not be subject to any penalty or interest under such Code if such tax is paid not later than 1 year after the filing of the amended return to which such reduction relates.

SEC. 104. NET OPERATING LOSSES ATTRIBUTABLE TO DISASTERS IN 2012, 2013, 2014, AND 2015.

(a) IN GENERAL.—Section 172(b)(1) of the Internal Revenue Code of 1986 is amended by adding at the end the following:

"(G) CERTAIN LOSSES ATTRIBUTABLE FEDERALLY DECLARED DISASTERS.—In the case of a taxpayer who has a qualified disaster loss (as defined in subsection (i)), such loss shall be a net operating loss carryback to each of the 5 taxable years preceding the taxable year of such loss.".

(b) RULES RELATING TO QUALIFIED DISASTER LOSSES.—Section 172 of the Internal Revenue Code of 1986 is amended by redesignating subsection (i) a subsection (j) and by inserting after subsection (h) the following:

"(i) RULES RELATING TO QUALIFIED DISASTER LOSSES.—For purposes of this section—

"(1) IN GENERAL.—The term 'qualified disaster loss' means the lesser of—

"(A) the sum of—

"(i) the losses allowable under section 165 for the taxable year—

"(I) attributable to a federally declared disaster (as defined in section 165(i)(5)(A)) occurring during the period beginning after December 31, 2007, and before January 1, 2010, or during the period beginning after December 31, 2011, and before January 1, 2016, and

"(II) occurring in a disaster area (as defined in section 165(i)(5)(B)), and

"(ii) the deduction for the taxable year for qualified disaster expenses which is allowable under section 198A(a) or which would be so allowable if not otherwise treated as an expense, or

"(B) the net operating loss for such taxable year.

“(2) COORDINATION WITH SUBSECTION (b)(2).—For purposes of applying subsection (b)(2), a qualified disaster loss for any taxable year shall be treated in a manner similar to the manner in which a specified liability loss is treated.

“(3) ELECTION.—Any taxpayer entitled to a 5-year carryback under subsection (b)(1)(G) from any loss year may elect to have the carryback period with respect to such loss year determined without regard to subsection (b)(1)(G). Such election shall be made in such manner as may be prescribed by the Secretary and shall be made by the due date (including extensions of time) for filing the taxpayer’s return for the taxable year of the net operating loss. Such election, once made for any taxable year, shall be irrevocable for such taxable year.

“(4) EXCLUSION.—The term ‘qualified disaster loss’ shall not include any loss with respect to any property described in section 1400N(p)(3).”.

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

SEC. 105. WAIVER OF CERTAIN MORTGAGE REVENUE BOND REQUIREMENTS FOLLOWING 2012, 2013, 2014, AND 2015 DISASTERS.

(a) IN GENERAL.—Paragraph (13) of section 143(k) of the Internal Revenue Code of 1986 is amended by striking ‘‘before January 1, 2010’’ in subparagraphs (A)(i) and (B)(i) of such paragraph and inserting ‘‘during the period beginning after December 31, 2007, and before January 1, 2010, or during the period beginning after December 31, 2011, and before January 1, 2016’’.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to disasters occurring after December 31, 2011.

SEC. 106. INCREASED EXPENSING AND BONUS DEPRECIATION FOR QUALIFIED DISASTER ASSISTANCE PROPERTY FOLLOWING 2012, 2013, 2014, AND 2015 DISASTERS.

(a) IN GENERAL.—Subclause (I) of section 168(n)(2)(A)(ii) of the Internal Revenue Code of 1986 is amended by striking ‘‘before January 1, 2010’’ and inserting ‘‘during the period beginning after December 31, 2007, and before January 1, 2010, or during the period beginning after December 31, 2011, and before January 1, 2016’’.

(b) REMOVAL OF EXCLUSION.—Section 168(n)(2)(B)(i) of such Code is amended by inserting ''and'' at the end of subclause (I), by striking '', and'' at the end of subclause (II) and inserting a period, and by striking subclause (III).

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

SEC. 107. INCREASE IN NEW MARKETS TAX CREDIT FOR INVESTMENTS IN COMMUNITY DEVELOPMENT ENTITIES SERVING 2012, 2013, 2014, AND 2015 DISASTER AREAS.

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

''(4) INCREASED SPECIAL ALLOCATION FOR COMMUNITY DEVELOPMENT ENTITIES SERVING DISASTER AREAS WITH RESPECT TO DISASTERS OCCURRING IN ANY OF CALENDAR YEARS 2012 THROUGH 2015.—

''(A) IN GENERAL.—In the case of each calendar year which begins after 2012 and before 2017, the new markets tax credit limitation shall be increased by an amount equal to $500,000,000, to be allocated among qualified community development entities to make qualified low-income community investments within any covered federally declared disaster area.

"(B) ALLOCATION OF INCREASE.—The amount of the increase in limitation under subparagraph (A) shall be allocated by the Secretary under paragraph (2) to qualified community development entities and shall give priority to such entities with a record of having successfully provided capital or technical assistance to businesses or communities within any covered federally declared disaster area or areas for which the allocation is requested.

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

"(D) COVERED FEDERALLY DECLARED DISASTER AREA.—For purposes of this paragraph, the term 'covered federally declared disaster area' means any disaster area resulting from any federally declared disaster occurring after December 31, 2011, and before January 1, 2016. For purposes of the preceding sentence, the terms 'federally declared disaster' and 'disaster area' have the meanings given such terms in section 165(i)(5).''.

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

SEC. 108. SPECIAL RULES FOR USE OF RETIREMENT FUNDS IN CONNECTION WITH FEDERALLY DECLARED DISASTERS IN 2012, 2013, 2014, AND 2015.

(a) TAX-FAVORED WITHDRAWALS FROM RETIREMENT PLANS.—

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

''(H) DISTRIBUTIONS FROM RETIREMENT PLANS IN CONNECTION WITH FEDERALLY DECLARED DISASTERS DURING IN ANY CALENDAR YEARS AFTER 2011.—Any qualified disaster recovery distribution.''.

(2) QUALIFIED DISASTER RECOVERY DISTRIBUTION.—Section 72(t) of such Code is amended by adding at the end the following new paragraph:

''(11) QUALIFIED DISASTER RECOVERY DISTRIBUTION.—For purposes of paragraph (2)(H)—

"(A) IN GENERAL.—Except as provided in subparagraph (B), the term 'qualified disaster recovery distribution' means, with respect to any federally declared disaster occurring in any calendar year beginning after 2011 and before January 1, 2016, any distribution from an eligible retirement plan made on or after the applicable disaster date and before the date that is 1 year after the applicable disaster date, to an individual whose principal place of abode on the applicable disaster date, is located in the disaster area and who has sustained an economic loss by reason of such federally declared disaster.

"(B) DOLLAR LIMITATION.—

"(i) IN GENERAL.—For purposes of this subsection, the aggregate amount of distributions received by an individual with respect to any federally declared disaster occurring during in any calendar year beginning after 2011 shall not exceed $100,000.

"(ii) TREATMENT OF PLAN DISTRIBUTIONS.—If a distribution to an individual would (without regard to clause (i)) be a qualified disaster recovery distribution, a plan shall not be treated as violating any requirement of this title merely because the plan treats such distribution as a qualified disaster recovery distribution, unless the aggregate amount of such distributions from all plans maintained by the employer (and any member of any controlled group which includes the employer) to such individual with respect to any federally declared disaster occurring in any calendar year beginning after 2011 exceeds $100,000.

"(iii) CONTROLLED GROUP.—For purposes of clause (ii), the term 'controlled group' means any group treated as a single employer under subsection (b), (c), (m), or (o) of section 414.

"(C) AMOUNT DISTRIBUTED MAY BE REPAID.—

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

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

"(iii) TREATMENT OF REPAYMENTS FOR DISTRIBUTIONS FROM IRAS.—For purposes of this title, if a contribution is made pursuant to clause (i) with respect to a qualified disaster recovery distribution from an individual retirement plan (as defined by section 7701(a)(37)), then, to the extent of the amount of the contribution, the qualified disaster recovery distribution shall be treated as a distribution described in section 408(d)(3) and as having been transferred to the eligible retirement plan in a direct trustee to trustee transfer within 60 days of the distribution.

"(D) INCOME INCLUSION SPREAD OVER 3-YEAR PERIOD.—

"(i) IN GENERAL.—In the case of any qualified disaster recovery distribution, unless the taxpayer elects not to have this paragraph apply for any taxable year, any amount required to be included in gross income for such taxable year shall be so included ratably over the 3-taxable-year period beginning with such taxable year.

"(ii) SPECIAL RULE.—For purposes of clause (i), rules similar to the rules of subparagraph (E) of section 408A(d)(3) shall apply.

"(E) OTHER DEFINITIONS.—

"(i) FEDERALLY DECLARED DISASTER; DISASTER AREA.—The terms 'federally declared disaster' and 'disaster area' have the meanings given such terms under section 165(i)(5).

"(ii) APPLICABLE DISASTER DATE.—The term 'applicable disaster date' means, with respect to any federally declared disaster, the date on which such federally declared disaster occurs.

"(iii) ELIGIBLE RETIREMENT PLAN.—The term 'eligible retirement plan' shall have the meaning given such term by section 402(c)(8)(B).

"(F) SPECIAL RULES.—

"(i) EXEMPTION OF DISTRIBUTIONS FROM TRUSTEE TO TRUSTEE TRANSFER AND WITHHOLDING RULES.—For purposes of sections 401(a)(31), 402(f), and 3405, qualified disaster recovery distributions shall not be treated as eligible rollover distributions.

"(ii) QUALIFIED DISASTER RECOVERY DISTRIBUTIONS TREATED AS MEETING PLAN DISTRIBUTION REQUIREMENTS.—For purposes of this title, a qualified disaster recovery distribution shall be treated as meeting the requirements of sections 401(k)(2)(B)(i), 403(b)(7)(A)(ii), 403(b)(11), and 457(d)(1)(A).".

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

(b) LOANS FROM QUALIFIED PLANS.—

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

"(6) INCREASE IN LIMIT ON LOANS NOT TREATED AS DISTRIBUTIONS WITH RESPECT TO DISASTERS IN ANY CALENDAR YEAR AFTER 2011.—

"(A) IN GENERAL.—In the case of any loan from a qualified employer plan to a qualified individual made during the applicable period—

"(i) clause (i) of paragraph (2)(A) shall be applied by substituting '$100,000' for '$50,000', and

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

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

"(i) if the due date pursuant to subparagraph (B) or (C) of paragraph (2) for any repayment with respect to such loan occurs during the 1-year period beginning on the applicable disaster date, such due date shall be delayed for 1 year,

"(ii) any subsequent repayments with respect to any such loan shall be appropriately adjusted to reflect the delay in the due date under clause (i) and any interest accruing during such delay, and

"(iii) in determining the 5-year period and the term of a loan under subparagraph (B) or (C) of paragraph (2), the period described in clause (i) shall be disregarded.

"(C) DEFINITIONS.—For purposes of this paragraph—

"(i) QUALIFIED INDIVIDUAL.—The term 'qualified individual' means, with respect to any federally declared disaster occurring during in any calendar year beginning after 2011, an individual whose principal place of abode on the applicable disaster date is located in the disaster area and who has sustained an economic loss by reason of such federally declared disaster.

"(ii) APPLICABLE PERIOD.—The applicable period is the period beginning on the applicable disaster date and ending on December 31, 2016.

"(iii) FEDERALLY DECLARED DISASTER; DISASTER AREA.—The terms 'federally declared disaster' and 'disaster area' have the meanings given such terms under section 165(i)(5).

"(iv) APPLICABLE DISASTER DATE.—The term 'applicable disaster date' means, with respect to any federally declared disaster, the date on which such federally declared disaster occurs.".

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to loans made with respect to disaster declared after December 31, 2011.

(c) PROVISIONS RELATING TO PLAN AMENDMENTS.—

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

(2) AMENDMENTS TO WHICH SUBSECTION APPLIES.—

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

(i) pursuant to any provision of, or amendment made by, this section, or pursuant to any regulation issued by the Secretary or the Secretary of Labor under any provision of, or amendment made by, this section, and

(ii) on or before the last day of the first plan year beginning on or after January 1, 2016, or such later date as the Secretary may prescribe.

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

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

(i) during the period—

(I) beginning on the date that the provisions of, and amendments made by, this section or the regulation described in subparagraph (A)(i) takes effect (or in the case of a plan or contract amendment not required by the provisions of, or amendments made by, this section or such regulation, the effective date specified by the plan), and

(II) ending on the date described in subparagraph (A)(ii) (or, if earlier, the date the plan or contract amendment is adopted),

the plan or contract is operated as if such plan or contract amendment were in effect, and

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

SEC. 109. ADDITIONAL EXEMPTION FOR HOUSING QUALIFIED DISASTER DISPLACED INDIVIDUALS.

(a) IN GENERAL.—Section 151 of the Internal Revenue Code of 1986 is amended by adding at the end the following new subsection:

"(f) ADDITIONAL EXEMPTION FOR CERTAIN DISASTER-DISPLACED INDIVIDUALS.—

"(1) IN GENERAL.—In the case of any taxable year beginning in any calendar year beginning after 2011, there shall be allowed an exemption of $500 for each qualified disaster-displaced individual with respect to the taxpayer for the taxable year.

"(2) LIMITATIONS.—

"(A) DOLLAR LIMITATION.—The exemption under paragraph (1) shall not exceed $2,000, reduced by the amount of the exemption under this subsection for all prior taxable years.

"(B) INDIVIDUALS TAKEN INTO ACCOUNT ONLY ONCE.—An individual shall not be taken into account under paragraph (1) if such individual was taken into account under this subsection by the taxpayer for any prior taxable year.

"(C) IDENTIFYING INFORMATION REQUIRED.—An individual shall not be taken into account under paragraph (1) for a taxable year unless the taxpayer identification number of such individual is included on the return of the taxpayer for such taxable year.

"(3) QUALIFIED DISASTER-DISPLACED INDIVIDUAL.—

"(A) IN GENERAL.—For purposes of this subsection, the term 'qualified disaster-displaced individual' means, with respect to any taxpayer for any taxable year, any qualified individual if such individual is provided housing free of charge by the taxpayer in the principal residence of the taxpayer for a period of 60 consecutive days which ends in such taxable year. Such term shall not include the spouse or any dependent of the taxpayer.

"(B) QUALIFIED INDIVIDUAL.—The term 'qualified individual' means any individual who—

"(i) on the date of a federally declared disaster occurring in calendar years beginning after 2011 and before 2016 maintained such individual's principal place of abode in the disaster area declared with respect to such disaster, and

"(ii) was displaced from such principal place of abode by reason of the federally declared disaster.

For purposes of the preceding sentence, the terms 'federally declared disaster' and 'disaster area' have the meanings given such terms in section 165(i)(5).

"(4) COMPENSATION FOR HOUSING.—No deduction shall be allowed under this subsection if the taxpayer receives any rent or other amount (from any source) in connection with the providing of such housing.".

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

SEC. 110. EXCLUSIONS OF CERTAIN CANCELLATIONS OF INDEBTEDNESS BY REASON OF 2012, 2013, 2014, AND 2015 DISASTERS.

(a) IN GENERAL.—Section 108 of the Internal Revenue Code of 1986 is amended by adding at the end the following new subsection:

"(j) DISCHARGE OF INDEBTEDNESS FOR INDIVIDUALS AFFECTED BY DISASTERS IN ANY CALENDAR YEAR AFTER 2011.—

"(1) IN GENERAL.—Except as provided in paragraph (2), gross income shall not include any amount which (but for this subsection) would be includible in gross income by reason of any discharge (in whole or in part) of indebtedness of a natural person described in paragraph (3) by an applicable entity (as defined in section 6050P(c)(1)) during the applicable period.

"(2) EXCEPTIONS FOR BUSINESS INDEBTEDNESS.—Paragraph (1) shall not apply to any indebtedness incurred in connection with a trade or business.

"(3) PERSONS DESCRIBED.—A natural person is described in this paragraph if the principal place of abode of such person on the applicable disaster date was located in the disaster area with respect to any federally declared disaster occurring during any calendar year beginning after 2011 and before 2016.

"(4) APPLICABLE PERIOD.—For purposes of this subsection, the term 'applicable period' means the period beginning on the applicable disaster date and ending on the date which is 14 months after such date.

"(5) OTHER DEFINITIONS.—For purposes of this subsection—

"(A) FEDERALLY DECLARED DISASTER; DISASTER AREA.—The terms 'federally declared disaster' and 'disaster area' have the meanings given such terms under section 165(i)(5).

"(B) APPLICABLE DISASTER DATE.—The term 'applicable disaster date' means, with respect to any federally declared disaster, the date on which such federally declared disaster occurs.".

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to discharges made on or after December 31, 2011.

SEC. 111. SPECIAL RULE FOR DETERMINING EARNED INCOME OF INDIVIDUALS AFFECTED BY FEDERALLY DECLARED DISASTERS.

(a) IN GENERAL.—Section 32 of the Internal Revenue Code of 1986 is amended by adding at the end the following new subsection:

"(n) SPECIAL RULE FOR DETERMINING EARNED INCOME OF TAXPAYERS AFFECTED BY FEDERALLY DECLARED DISASTERS.—

"(1) IN GENERAL.—In the case of a qualified individual with respect to any federally declared disaster occurring during any calendar year beginning after 2011, if the earned income of the taxpayer for the taxable year which includes the applicable disaster date is less than the earned income of the taxpayer for the preceding taxable year, the credit allowed under this section and section 24(d) may, at the election of the taxpayer, be determined by substituting—

"(A) such earned income for the preceding taxable year, for

"(B) such earned income for the taxable year which includes the applicable date.

"(2) QUALIFIED INDIVIDUAL.—For purposes of this subsection, the term 'qualified individual' means, with respect to any federally declared disaster occurring during in any calendar year beginning after 2011 and before 2016, any individual whose principal place of abode on the applicable disaster date, was located—

"(A) in any portion of a disaster area determined by the President to warrant individual or individual and public assistance under the Robert T. Stafford Disaster Relief and Emergency Assistance Act by reason of the federally declared disaster, or

"(B) in any portion of the disaster area not described in subparagraph (A) and such individual was displaced from such principal place of abode by reason of the federally declared disaster.

"(3) OTHER DEFINITIONS.—For purposes of this paragraph—

"(A) FEDERALLY DECLARED DISASTER; DISASTER AREA.—The terms 'federally declared disaster' and 'disaster area' have the meanings given such terms under section 165(i)(5).

"(B) APPLICABLE DISASTER DATE.—The term 'applicable disaster date' means, with respect to any federally declared disaster, the date on which such federally declared disaster occurs.

"(4) SPECIAL RULES.—

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

"(i) such paragraph shall apply if either spouse is a qualified individual, and

"(ii) the earned income of the taxpayer for the preceding taxable year shall be the sum of the earned income of each spouse for such preceding taxable year.

"(B) UNIFORM APPLICATION OF ELECTION.—Any election made under paragraph (1) shall apply with respect to both section 24(d) and this section.

"(C) ERRORS TREATED AS MATHEMATICAL ERROR.—For purposes of section 6213, an incorrect use on a return of earned income pursuant to paragraph (1) shall be treated as a mathematical or clerical error.

"(D) NO EFFECT ON DETERMINATION OF GROSS INCOME, ETC.—Except as otherwise provided in this subsection, this title shall be applied without regard to any substitution under paragraph (1).''.

(b) CHILD TAX CREDIT.—Section 24(d) of the Internal Revenue Code of 1986 is amended by inserting after paragraph (2) the following new paragraph:

''(3) SPECIAL RULE FOR DETERMINING EARNED INCOME OF TAXPAYERS AFFECTED BY FEDERALLY DECLARED DISASTERS.—For election by qualified individuals with respect to certain federally declared disasters to substitute earned income from the preceding taxable year, see section 32(n).''.

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

SEC. 112. INCREASE IN REHABILITATION CREDIT FOR BUILDINGS IN 2012, 2013, 2014, AND 2015 DISASTER AREAS.

(a) IN GENERAL.—Section 47 of the Internal Revenue Code of 1986 is amended by adding at the end the following new subsection:

''(e) SPECIAL RULE FOR EXPENDITURES MADE IN CONNECTION WITH CERTAIN DISASTERS.—

''(1) IN GENERAL.—In the case of qualified rehabilitation expenditures paid or incurred during the applicable period with respect to any qualified rehabilitated building or certified historic structure located in a disaster area with respect to any federally declared disaster occurring in, subsection (a) shall be applied—

"(A) by substituting '13 percent' for '10 percent' in paragraph (1) thereof, and

"(B) by substituting '26 percent' for '20 percent' in paragraph (2) thereof.

"(2) DEFINITIONS.—For purposes of this subsection—

"(A) FEDERALLY DECLARED DISASTER; DISASTER AREA.—The terms 'federally declared disaster' and 'disaster area' have the meanings given such terms under section 165(i)(5).

"(B) APPLICABLE PERIOD.—The term 'applicable period' means the period beginning on the applicable disaster date and ending on December 31, 2015.

"(C) APPLICABLE DISASTER DATE.—The term 'applicable disaster date' means, with respect to any federally declared disaster, the date on which such federally declared disaster occurs.".

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

SEC. 113. ADVANCED REFUNDINGS OF CERTAIN TAX-EXEMPT BONDS.

(a) IN GENERAL.—Section 149(d) of the Internal Revenue Code of 1986 is amended by redesignating paragraph (7) as paragraph (8) and by inserting after paragraph (6) the following new paragraph:

"(7) SPECIAL RULE WITH RESPECT TO CERTAIN NATURAL DISASTERS.—

"(A) IN GENERAL.—With respect to a bond described in subparagraph (C), one additional advance refunding after the date of the enactment of this paragraph and before January 1, 2018, shall be allowed under the rules of this subsection if—

"(i) the Governor of the State designates the advance refunding bond for purposes of this subsection, and

"(ii) the requirements of subparagraph (E) are met.

"(B) CERTAIN PRIVATE ACTIVITY BONDS.—With respect to a bond described in subparagraph (C) which is an exempt facility bond described in paragraph (1) or (2) of section 142(a), one advance refunding after the date of the enactment of this paragraph and before January 1, 2018, shall be allowed under the applicable rules of this subsection (notwithstanding paragraph (2) thereof) if the requirements of clauses (i) and (ii) of subparagraph (A) are met.

''(C) BONDS DESCRIBED.—A bond is described in this paragraph if, with respect to any federally declared disaster, such bond—

''(i) was outstanding on the applicable disaster date, and

''(ii) is issued by an applicable State or a political subdivision thereof.

''(D) AGGREGATE LIMIT.—The maximum aggregate face amount of bonds which may be designated under this subsection by the Governor of a State shall not exceed $4,500,000,000.

''(E) ADDITIONAL REQUIREMENTS.—The requirements of this subparagraph are met with respect to any advance refunding of a bond described in subparagraph (C) if—

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

“(ii) the advance refunding bond is the only other outstanding bond with respect to the refunded bond, and

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

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

“(i) FEDERALLY DECLARED DISASTER; DISASTER AREA.—The terms ‘federally declared disaster’ and ‘disaster area’ have the meanings given such terms under section 165(i)(5).

“(ii) APPLICABLE DISASTER DATE.—The term ‘applicable disaster date’ means, with respect to any federally declared disaster, the date on which such federally declared disaster occurs.

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

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

SEC. 114. QUALIFIED DISASTER AREA RECOVERY BONDS.

(a) IN GENERAL.—Subpart A of part IV of subchapter B of chapter 1 of the Internal Revenue Code of 1986 is amended by inserting after section 146 the following new section:

''SEC. 146A. QUALIFIED DISASTER AREA RECOVERY BONDS.

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

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

''(2) not be subject to section 146.

''(b) QUALIFIED DISASTER AREA RECOVERY BOND.—For purposes of this section, the term 'qualified disaster area recovery bond' means any bond issued as part of an issue if—

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

''(2) such bond is issued by a State or any political subdivision thereof any part of which is in a qualified disaster area, "(3) the Governor of the issuing State designates such bond for purposes of this section, and

"(4) such bond is issued after the date of the enactment of this section and before January 1, 2017.

"(c) LIMITATION ON AMOUNT OF BONDS.—

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

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

"(3) TREATMENT OF CURRENT REFUNDING BONDS.—Paragraph (1) shall not apply to any bond (or series of bonds) issued to refund a qualified disaster area recovery bond, if—

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

"(B) the amount of the refunding bond does not exceed the outstanding amount of the refunded bond, and

"(C) the net proceeds of the refunding bond are used to redeem the refunded bond not later than 90 days after the date of the issuance of the refunding bond.

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

"(d) QUALIFIED PROJECT COSTS.—For purposes of this section, the term 'qualified project costs' means the cost of acquisition, construction, reconstruction, and renovation of—

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

"(2) nonresidential real property (including fixed improvements associated with such property),

"(3) a facility described in paragraph (2) or (3) of section 142(a), or

"(4) public utility property (as defined in section 168(i)(10)),

which is located in a qualified disaster area and was damaged or destroyed by reason of a federally declared disaster.

"(e) SPECIAL RULES.—In applying this title to any qualified disaster area recovery bond, the following modifications shall apply:

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

“(2) Section 148(f)(4)(C) (relating to exception from rebate for certain proceeds to be used to finance construction expenditures) shall apply to the available construction proceeds of bonds issued under this section. For purposes of the preceding sentence, the following spending requirements shall apply in lieu of the requirements in clause (ii) of such section:

“(A) 40 percent of such available construction proceeds are spent for the governmental purposes of the issue within the 2-year period beginning on the date the bonds are issued.

“(B) 60 percent of such proceeds are spent for such purposes within the 3-year period beginning on such date.

“(C) 80 percent of such proceeds are spent for such purposes within the 4-year period beginning on such date.

“(D) 100 percent of such proceeds are spent for such purposes within the 5-year period beginning on such date.

''(3) Repayments of principal on financing provided by the issue—

''(A) may not be used to provide financing, and

''(B) must be used not later than the close of the first semiannual period beginning after the date of the repayment to redeem bonds which are part of such issue.

The requirement of subparagraph (B) shall be treated as met with respect to amounts received within 5 years after the date of issuance of the issue (or, in the case of a refunding bond, the date of issuance of the original bond) if such amounts are used by the close of such 5 years to redeem bonds which are part of such issue.

''(4) Section 57(a)(5) shall not apply.

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

''(g) QUALIFIED DISASTER AREA; FEDERALLY DECLARED DISASTER.—

"(1) QUALIFIED DISASTER AREA.—The term 'qualified disaster area' means any area determined to warrant individual or individual and public assistance from the Federal Government under the Robert T. Stafford Disaster Relief and Emergency Assistance Act by reason of a federally declared disaster occurring during the period beginning after December 31, 2011, and before January 1, 2016.

"(2) FEDERALLY DECLARED DISASTER.—The term 'federally declared disaster' has the meaning given to such term under section 165(i)(5).".

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

"Sec. 146A. Qualified disaster area recovery bonds.".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to obligations issued after December 31, 2015.

SEC. 115. ADDITIONAL LOW-INCOME HOUSING CREDIT ALLOCATIONS.

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

"(J) INCREASE IN STATE HOUSING CREDIT FOR STATES DAMAGED BY NATURAL DISASTERS.—

"(i) IN GENERAL.—In the case of calendar year 2016, the State housing credit ceiling of each State any portion of which includes any portion of a qualifying disaster area shall be increased by so much of the aggregate housing credit dollar amount as does not exceed the applicable limitation allocated by the State housing credit agency of such State for such calendar year to buildings located in qualifying disaster areas.

"(ii) APPLICABLE LIMITATION.—For purposes of clause (i), the applicable limitation is the greater of—

"(I) $8 multiplied by the population of the qualifying disaster areas in such State, or

"(II) 50 percent of the State housing credit ceiling (determined without regard to this subparagraph) for 2015.

"(iii) APPLICABLE PERCENTAGE.—For purposes of this section, the applicable percentage with respect to any building to which amounts allocated under clause (i) shall be determined under subsection (b)(2), except that subparagraph (A) thereof shall be applied by substituting 'January 1, 2016' for 'January 1, 2015'.

"(iv) ALLOCATIONS TREATED AS MADE FIRST FROM ADDITIONAL ALLOCATION AMOUNT FOR PURPOSES OF DETERMINING CARRYOVER.—For purposes of determining the unused State housing credit ceiling under subparagraph (C) for any calendar year, any increase in the State housing credit ceiling under clause (i) shall be treated as an amount described in clause (ii) of such subparagraph.

"(v) QUALIFYING DISASTER AREA.—For purposes of this subparagraph, the term 'qualifying federally declared disaster area' means—

"(I) each county which is determined to warrant individual or individual and public assistance from the

Federal Government under a qualifying natural disaster declaration described in clause (vi)(I), and

"(II) each county not described in subclause (I) which is included in the geographical area covered by a qualifying natural disaster declaration described in subclause (II) or (III) of clause (vi).

"(vi) QUALIFYING NATURAL DISASTER DECLARATION.—For purposes of clause (v), the term 'qualifying natural disaster declaration' means—

"(I) a federally declared disaster (as defined in section 165(i)(5)) occurring during the period beginning after December 31, 2011, and before January 1, 2016,

"(II) a natural disaster declared by the Secretary of Agriculture in 2011 due to damaging weather and other conditions relating to Hurricane Irene or Tropical Storm Lee under section 321(a) of the Consolidated

Farm and Rural Development Act (7 U.S.C. 1961(a)), or

"(III) a major disaster or emergency designated by the President in 2011 due to damaging weather and other conditions relating to Hurricane Irene or Tropical Storm Lee under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5121 et seq.).".

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

SEC. 116. FACILITATION OF TRANSFER OF WATER LEASING AND WATER BY MUTUAL DITCH OR IRRIGATION COMPANIES IN DISASTER AREAS.

(a) IN GENERAL.—Paragraph (12) of section 501(c) of the Internal Revenue Code of 1986 is amended by adding at the end the following new subparagraph:

"(I) TREATMENT OF MUTUAL DITCH OR IRRIGATION COMPANIES IN CERTAIN DISASTER AREAS.—

"(i) IN GENERAL.—In the case of a qualified mutual ditch or irrigation company or like organization, subparagraph

(A) shall be applied without taking into account any income received or accrued during the applicable period—

"(I) from the sale, lease, or exchange of fee or other interests in real property, including interests in water,

"(II) from the sale or exchange of stock in a mutual ditch or irrigation company or like organization or contract rights for the delivery or use of water,

"(III) from the investment of proceeds from sales, leases, or exchanges under subclauses (I) and (II), or

"(IV) from the United States, or a State or local government, resulting from the federally declared disaster,

except that any income received under subclause (I), (II), (III), or (IV) which is distributed or expended for expenses (other than for operations, maintenance, and capital improvements) of the qualified mutual ditch or irrigation company or like organization shall be treated as nonmember income in the year in which it is distributed or expended.

"(ii) QUALIFIED MUTUAL DITCH OR IRRIGATION COMPANY OR LIKE ORGANIZATION.—For purposes of this paragraph—

"(I) IN GENERAL.—The term 'qualified mutual ditch or irrigation company or like organization' means any mutual ditch or irrigation company or like organization that diverted, delivered, transported, stored, or used its water for agricultural irrigation purposes on its own or through its shareholders in a qualified disaster area during any of calendar years 2012 through 2015.

"(II) QUALIFIED ASSET.—The term 'qualified asset' means any real property or tangible personal property used in the mutual ditch or irrigation company's (or like organization's) system.

"(III) MULTIPLE AREAS.—Under regulations, if the qualified assets of any mutual ditch or irrigation company or like organization are located in more than 1 qualified disaster area, all such areas shall be treated as 1 area and if more than 1 federally declared disaster is involved, the date on which the last of such disasters occurred shall be the date used for purposes of this paragraph.

"(iii) APPLICABLE PERIOD.—For purposes of this paragraph, the term 'applicable period' means the taxable year in which the federally declared disaster occurred and the 5 following taxable years.

"(iv) OTHER DEFINITIONS.—

"(I) QUALIFIED DISASTER AREA.—The term 'qualified disaster area' means any area determined to warrant individual or individual and public assistance from the Federal Government under the Robert T. Stafford Disaster Relief and Emergency Assistance Act by reason of a federally declared disaster occurring during the period beginning on January 1, 2012, and ending on December 31, 2015.

"(II) FEDERALLY DECLARED DISASTER.—The term 'federally declared disaster' has the meaning given to such term under section 165(i)(5).".

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

TITLE II—OTHER DISASTER TAX RELIEF PROVISIONS

SEC. 201. EXCLUSION FOR DISASTER MITIGATION PAYMENTS RECEIVED FROM STATE AND LOCAL GOVERNMENTS.

(a) IN GENERAL.—Paragraph (2) of section 139(g) of the Internal Revenue Code of 1986 is amended by inserting ", or any other amount which is paid by a State or local government or agency or instrumentality thereof," after "(as in effect on such date)".

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

SEC. 202. NATURAL DISASTER FUNDS.

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

“SEC. 468C. SPECIAL RULES FOR NATURAL DISASTER FUNDS.

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

“(b) NATURAL DISASTER FUND.—The term ‘natural disaster fund’ means a fund meeting the following requirements:

“(1) DESIGNATION.—The taxpayer designates—

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

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

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

“(3) INVESTMENTS.—

"(A) The assets of the fund are maintained in one or more qualified accounts and are invested only in—

"(i) deposits with banks whose deposits are insured subject to applicable limits by the Federal Deposit Insurance Corporation, or

"(ii) in stock or other securities in which the fund would be permitted to invest if it were a capital construction fund subject to the investment limitations of paragraphs (2) and (3) of section 7518(b)(2).

"(B) All investment earnings (including gains and losses) from investments of the fund become part of the fund.

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

"(5) PURPOSE.—The fund is established and maintained for the purposes of covering costs, expenses, and losses (including business interruption losses) resulting from a Federally declared natural disaster to the extent such costs are not covered by insurance.

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

"(A) the sum of—

"(i) 150 percent of the maximum deductible, and

"(ii) 100 percent of the maximum coinsurance (to the extent not taken into account in clause (i)),

that, in the case of a Federally declared natural disaster resulting in losses, the taxpayer could be expected to pay with respect to property and business interruption insurance maintained by the taxpayer for the line of business to which the fund applies and that would cover losses resulting from a Federally declared natural disaster, and

"(B) the maximum loss under any insurance coverage that the taxpayer could reasonably expect to occur for the line of business in the case of a severe natural disaster.

"(7) FINANCIAL STATEMENTS.—The fund or the balance of the fund is recorded in the taxpayer's financial statements in accordance with generally accepted accounting principles and not as a current asset and the footnotes to the taxpayer's financial statements include a short description of the fund and its purposes.

''(8) INSURANCE.—The taxpayer property insurance maintained by the qualified taxpayer applies to 75 percent or more of the property used—

''(A) in the qualified taxpayer's line of business to which the fund relates, and

''(B) in the United States.

''(c) QUALIFIED TAXPAYER.—For purposes of this section, the term 'qualified taxpayer' means any taxpayer that—

''(1) actively conducts a trade or business, and

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

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

"(e) TAXATION OF FUND.—

"(1) IN GENERAL.—The earnings (including gains and losses) from the investment and reinvestment of amounts held in the fund shall not be taken into account in determining the gross income of the taxpayer that owns the fund.

"(2) NOT A SEPARATE TAXPAYER.—A natural disaster fund shall not be considered a separate taxpayer for purposes of this subtitle.

"(f) TAXATION OF DISTRIBUTIONS FROM THE FUND.—

"(1) QUALIFIED DISTRIBUTIONS.—For purposes of this chapter, qualified distributions shall be treated in the same manner as proceeds from property or business interruption insurance.

"(2) NONQUALIFIED DISTRIBUTIONS.—

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

"(i) such nonqualified distributions shall be excluded from the gross income of the taxpayer, and

"(ii) the tax imposed by this chapter (determined without regard to this subsection) shall be increased by the product of the amount of such nonqualified distribution and the highest rate of tax specified in section 1 (section 11 in the case of a corporation).

"(B) TAX BENEFIT RULE; COORDINATION WITH DEDUCTION FOR NET OPERATING LOSSES.—Rules similar to the rules of subparagraphs (B) and (C) of section 7518(g)(6) shall apply for purposes of this paragraph.

"(3) ADDITIONAL TAX.—The tax imposed by this chapter for any taxable year on any taxpayer that a owns natural disaster fund shall be increased by the greater of—

"(A) 20 percent of the amount of any nonqualified distributions from the fund in the taxable year, and

"(B) an amount equal to interest, at the underpayment rate established under section 6621, on the nonqualified distribution from the time the amount is added to the fund to the time the amount is distributed.

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

"(A) all investment earnings (including gains or losses) in taxable year shall be treated as added to the fund on the last day of the taxable year, and

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

"(g) DEFINITIONS.—For purposes of this section—

"(1) FEDERALLY DECLARED NATURAL DISASTER.—The term 'Federally declared natural disaster' means a natural disaster that is determined by Presidential declaration under the Robert T. Stafford Disaster Relief and Emergency Assistance Act to warrant individual or individual and public assistance under such Act.

"(2) NONQUALIFIED DISTRIBUTION.—The term 'nonqualified distribution' means a distribution from a natural disaster fund other than a qualified distribution.

"(3) QUALIFIED ACCOUNT.—The term 'qualified account' means an account with a bank (as defined in section 581) or a brokerage account but only if the investments of such accounts are limited to those permitted by subsection (b)(3) and no investments are made in a related person (as defined in section 465(b)(3)(C)) to the taxpayer.

"(4) QUALIFIED DISTRIBUTION.—

"(A) IN GENERAL.—The term 'qualified distribution' means with respect to natural disaster fund an amount equal to the excess of—

"(i) costs, expenses, and losses (including losses of a type reimbursable by proceeds of business interruption insurance) incurred by the taxpayer as a result of the Federally declared natural disaster with respect to the line or lines of business for which the fund was designated, over

"(ii) the proceeds of property and business interruption insurance paid for the benefit of the taxpayer with respect to costs, expenses, and losses described in clause (i).

"(B) LIMITATION.—A distribution from a natural disaster fund shall not be treated as a qualified distribution if such distribution is allocated to a Federally declared natural disaster occurring more than 3 years before the date of such distribution.

"(h) SPECIAL RULES.—For purposes of this section—

"(1) NO DOUBLE COUNTING.—Any portion of any deductible or coinsurance taken into account under subsection (b)(6) in determining the maximum balance for a natural disaster fund shall not be taken into account in determining the maximum balance for another natural disaster fund.

"(2) EXCESS BALANCE.—

"(A) IN GENERAL.—If the balance of a natural disaster fund exceeds the maximum balance permitted by subsection (b)(6) by reason of investment earnings or a reduction in the maximum balance, the account shall not cease to be a natural disaster fund as the result of exceeding such limit if the excess is distributed within 120 days of the date that such excess first occurred.

"(B) TREATMENT OF DISTRIBUTIONS OF EXCESS BALANCE.—In the case of any distribution of the excess balance of a natural disaster fund within 120 days of the date that such excess first occurred—

"(i) paragraphs (2) and (3) of subsection (f) shall not apply to the distribution of such excess if distributed within such period, and

"(ii) the amount of such distribution shall be included in the gross income of the taxpayer in the year such distribution was made.

"(C) ANTI-ABUSE RULE.—Subparagraph (B) shall not apply in the case of any reduction in the maximum balance resulting from any action of the taxpayer the primary purpose of which was to reduce the maximum balance to enable a distribution that would not be subject to the maximum tax rate calculation or the additional tax.

"(3) CERTAIN ASSET ACQUISITIONS.—The transfer of a natural disaster fund (or the portion of a natural disaster fund) from one person to another person shall not constitute a nonqualified distribution if—

"(A) such transfer is part of a transaction—

"(i) to which section 381 applies,

"(ii) the transferee acquires substantially all of the assets of the transferor used in the line or lines of business for which the fund was designated,

"(iii) the transferee acquires substantially all of the assets of the transferor used in one, but not all, of the lines of business for which the fund was designated, or

"(iv) the transferee acquires substantially all of the transferor's assets located in a geographical area and used in a line of business for which the fund was designated, and

"(B) the transferee elects to treat the acquired natural disaster fund (or portion thereof) as a natural disaster fund for the line of business for which the transferor had previously designated the fund and as a continuation of the fund (or pro rata portion thereof) for purposes of determining the additional tax imposed by subsection (f)(4).

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

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

"Sec. 468C. Special rules for natural disaster funds.".

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

TITLE III—PERMANENT DISASTER TAX RELIEF PROVISIONS

SEC. 301. INCREASE PROPERTY REPLACEMENT PERIOD TO 5 YEARS.

(a) IN GENERAL.—Section 1033(a)(2) of the Internal Revenue Code of 1986 is amended by adding at the end the following:

"(F) FEDERALLY DECLARED DISASTER.—

"(i) IN GENERAL.—In the case of converted property that is located in the disaster area of a federally declared disaster occurring during a calendar year beginning after 2011 and that is damaged or destroyed by the federally declared disaster, subparagraph (B)(i) shall be applied by substituting '5 years' for '2 years'.

"(ii) FEDERALLY DECLARED DISASTER AND DISASTER AREA.—For purposes of clause (i), the terms 'federally declared disaster' and 'disaster area' have the meanings given such terms under section 165(i)(5).''.

(b) CONFORMING AMENDMENT.—Section 1033(h)(1)(B) of the Internal Revenue Code of 1986 is amended by striking ''4 years'' and inserting ''5 years''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to disasters declared after December 31, 2015.

SEC. 302. WAGE CREDIT FOR SPECIFIED DISASTER-DAMAGED BUSINESSES.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 is amended by adding at the end the following new section:

''SEC. 45S. WAGE CREDIT FOR SPECIFIED DISASTER-DAMAGED BUSINESSES.

''(a) GENERAL RULE.—For purposes of section 38, in the case of an eligible employer, the specified disaster-damaged business wage credit for any taxable year is an amount equal to 40 percent of the qualified wages for such year.

''(b) QUALIFIED WAGES DEFINED.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified wages' means, with respect to any covered employee, wages paid or incurred by the eligible employer to the employee who is not able to work at the disaster-damaged business of the employer during an inoperability period because of a federally declared disaster. Such term shall not include amounts paid or incurred for overtime compensation.

"(2) LIMITATIONS.—

"(A) LIMITATION ON WAGES TAKEN INTO ACCOUNT.—The amount of the qualified wages with respect to any individual which may be taken into account with respect to a federally declared disaster shall not exceed $6,000.

"(B) INOPERABILITY PERIOD.—The inoperability period with respect to a federally declared disaster is the period beginning with the first day the trade or business is rendered inoperable due to damage from the federally declared disaster and ending on the earlier of—

"(i) the last day on which the trade or business is inoperable, or

"(ii) 16 weeks after the first day of such disaster.

"(c) DEFINITIONS.—For purposes of this section—

"(1) ELIGIBLE EMPLOYER.—

"(A) IN GENERAL.—The term 'eligible employer' means, with respect to any taxable year, any employer which—

"(i) employed an average of less than 200 employees on business days during such taxable year, and

"(ii) has a disaster-damaged business.

"(B) DISASTER-DAMAGED BUSINESS.—The term 'disaster-damaged business' means a place of business within a disaster area which is rendered inoperable due to damage from the federally declared disaster.

"(C) CONTROLLED GROUPS.—For purposes of this section, all persons treated as a single employer under subsection (b), (c), (m), or (o) of section 414 shall be treated as a single employer.

"(2) COVERED EMPLOYEE.—The term 'covered employee' means, with respect to an eligible employer, an individual—

"(A) whose principal place of employment is in a disaster area with respect to a federally declared disaster, and

"(B) who has been employed by the employer for more than 30 days before the first day of the federally declared disaster.

"(3) FEDERALLY DECLARED DISASTER AND DISASTER AREA.—For purposes of clause (i), the terms 'federally declared disaster' and 'disaster area' have the meanings given such terms under section 165(i)(5).".

(b) ALLOWANCE AS GENERAL BUSINESS CREDIT.—Section 38(b) of the Internal Revenue Code of 1986 is amended by striking "plus" at the end of paragraph (35), by striking the period at the end of paragraph (36) and inserting ", plus", and by adding at the end the following:

"(37) the specified disaster-damaged business wage credit determined under section 45S(a).".

(c) DENIAL OF DOUBLE BENEFIT.—Subsection (a) of section 280C of the Internal Revenue Code of 1986 is amended by inserting "45S(a)," after "45P(a)".

(d) CLERICAL AMENDMENT.—The table of contents for subpart D of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 is amended by adding at the end the following new item:

"Sec. 45S. Wage credit for specified disaster-damaged businesses.".

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

SEC. 303. DISASTER-RELATED MEDICAL EXPENSES.

(a) IN GENERAL.—Section 213 of the Internal Revenue Code of 1986 is amended by adding at the end the following new subsection:

"(g) DISASTER-RELATED MEDICAL EXPENSES.—

"(1) IN GENERAL.—In the case of expenses directly related to an injury caused by a federally declared disaster occurring during the taxable year or the preceding taxable year, there shall be allowed a separate deduction under this section, which shall be determined under this section (without regard to this subsection), except that—

"(A) subsection (a) shall be applied by substituting 'zero percent' for '10 percent', and

"(B) subsection (f) shall be applied by substituting 'zero percent' for '7.5 percent'.

"(2) COORDINATION.—Any expense taken into account under paragraph (1) shall not be treated as an expense taken into account under this section (without regard to this section).

"(3) FEDERALLY DECLARED DISASTER.—For purposes of this subsection, the term 'federally declared disaster' shall have the meaning given such term under section 165(i)(5).".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply with respect to disasters occurring after the date of the enactment of this Act.

SEC. 304. EXPENSING OF QUALIFIED DISASTER EXPENSES.

(a) IN GENERAL.—Section 198A(b)(2)(A)(ii) of the Internal Revenue Code of 1986, as added by section 101 of this Act, is amended by striking "and before January 1, 2016,".

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to amounts paid or incurred after December 31, 2015.

SEC. 305. LOSSES ATTRIBUTABLE TO DISASTERS.

(a) IN GENERAL.—Section 165(h)(3)(B)(i)(I) of the Internal Revenue Code of 1986, as amended by section 103 of this Act, is amended by striking "the period beginning after December 31, 2011, and before January 1, 2016," and inserting "any period beginning after December 31, 2011,".

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to disasters declared in taxable years beginning after December 31, 2015.

SEC. 306. NET OPERATING LOSSES ATTRIBUTABLE TO DISASTERS.

(a) IN GENERAL.—Section 172(i)(1)(A)(i)(I) of the Internal Revenue Code of 1986 is amended by striking ‘‘and before January 1, 2016,’’.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to disasters declared in taxable years beginning after December 31, 2015.

SEC. 307. SPECIAL RULES FOR USE OF RETIREMENT FUNDS IN CONNECTION WITH FEDERALLY DECLARED DISASTERS.

(a) WITHDRAWALS.—Section 72(t)(11)(A) of the Internal Revenue Code of 1986, as amended by section 108 of this Act, is amended by striking ‘‘2011 and before January 1, 2016,’’ and inserting ‘‘2011,’’.

(b) LOANS.—Section 72(p)(6)(C)(ii) of such Code is amended by striking ‘‘and ending on December 31, 2016’’.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions with respect to disaster declared after December 31, 2015.

SEC. 308. ADDITIONAL EXEMPTION FOR HOUSING QUALIFIED DISASTER DISPLACED INDIVIDUALS.

(a) IN GENERAL.—Section 151(f)(3)(B)(i) of the Internal Revenue Code of 1986, as amended by section 109 of this Act, is amended by striking ‘‘and before 2016’’.

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

SEC. 309. EXCLUSIONS OF CERTAIN CANCELLATIONS OF INDEBTEDNESS BY REASON OF DISASTERS.

(a) IN GENERAL.—Section 108(j)(3) of the Internal Revenue Code of 1986, as amended by section 110 of this Act, is amended by striking ''and before 2016''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to discharges made on or after December 31, 2015.

SEC. 310. SPECIAL RULE FOR DETERMINING EARNED INCOME OF INDIVIDUALS AFFECTED BY FEDERALLY DECLARED DISASTERS.

(a) IN GENERAL.—Section 32(n)(2) of the Internal Revenue Code of 1986, as amended by section 111 of this Act, is amended by striking ''and before 2016''.

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

SEC. 311. QUALIFIED DISASTER AREA RECOVERY BONDS.

(a) IN GENERAL.—Section 146A(b)(4) of the Internal Revenue Code of 1986, as amended by section 114 of this Act, is further amended by striking ''and before January 1, 2017''.

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

SEC. 312. ADDITIONAL LOW-INCOME HOUSING CREDIT ALLOCATIONS.

(a) IN GENERAL.—Section 42(h)(3)(J) of the Internal Revenue Code of 1986, as amended by section 115 of this Act, is amended—

(1) in clause (i) by striking ''In the case of calendar year 2016,'' and inserting ''In the case of a calendar year beginning after 2015,'',

(2) in clause (ii)(II) by striking ''2015'' and inserting ''the preceding calendar year'', and

(3) in clause (iii) by striking ''substituting 'January 1 of the calendar year in which the taxable year ends' for 'January 1, 2015' ''.

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

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