

109TH CONGRESS
1ST SESSION

H. R. 3769

To amend the Internal Revenue Code of 1986 to provide tax relief to victims of Hurricane Katrina.

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 14, 2005

Mrs. JONES of Ohio (for herself, Mr. JEFFERSON, Mr. LEWIS of Georgia, Mr. EMANUEL, Mr. DOGGETT, and Mr. NEAL of Massachusetts) 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 to victims of Hurricane Katrina.

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.**

4 This Act may be cited as the “Katrina Assistance
5 Tax Relief Incentives for Necessities Act of 2005” or the
6 “KATRINA Act of 2005”.

1 **SEC. 2. HURRICANE KATRINA DISASTER VICTIMS MADE**
2 **MEMBERS OF TARGETED GROUPS UNDER**
3 **WORK OPPORTUNITY TAX CREDIT.**

4 (a) **IN GENERAL.**—Paragraph (1) of section 51(d) of
5 the Internal Revenue Code of 1986 (defining generally
6 members of targeted group) is amended by striking “or”
7 at the end of subparagraph (G), by striking the period
8 at the end of subparagraph (H) and inserting “, or”, and
9 by inserting after subparagraph (H) the following new
10 subparagraph:

11 “(I) a Hurricane Katrina disaster victim.”.

12 (b) **QUALIFIED DISASTER VICTIM.**—Subsection (d)
13 of section 51 of such Code (relating to members of tar-
14 geted groups) is amended by redesignating paragraphs
15 (10), (11), and (12) as paragraphs (11), (12), and (13),
16 respectively, and by inserting after paragraph (9) the fol-
17 lowing new paragraph:

18 “(10) **HURRICANE KATRINA DISASTER VIC-**
19 **TIM.**—The term ‘Hurricane Katrina disaster victim’
20 means an individual who is certified by the des-
21 ignated local agency as being a eligible to receive as-
22 sistance from the Federal Government under the
23 Robert T. Stafford Disaster Relief and Emergency
24 Assistance Act by reason of Hurricane Katrina.”.

25 (c) **TERMINATION.**—Subparagraph (B) of section
26 51(c)(4) of such Code is amended by inserting “(2006 in

1 the case of a Hurricane Katrina disaster victim)” before
2 the period.

3 (d) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to individuals who begin work for
5 the employer after August 28, 2005.

6 **SEC. 3. HURRICANE KATRINA DISPLACED RESIDENT CRED-**
7 **IT.**

8 (a) IN GENERAL.—Subpart A of of part IV of sub-
9 chapter A of chapter 1 of the Internal Revenue Code of
10 1986 (relating to nonrefundable personal credits) is
11 amended by inserting after section 25D the following new
12 section:

13 **“SEC. 25E. HURRICANE KATRINA DISPLACED RESIDENT**
14 **CREDIT.**

15 “(a) ALLOWANCE OF CREDIT.—

16 “(1) IN GENERAL.—There shall be allowed as a
17 credit against the tax imposed by this chapter for
18 the taxable year with respect to all qualified dis-
19 placed persons residing without charge with the tax-
20 payer in the principal residence of the taxpayer an
21 amount equal to the applicable percentage of
22 \$1,000.

23 “(2) APPLICABLE PERCENTAGE.—For purposes
24 of paragraph (1), the applicable percentage is the
25 ratio (expressed as a percentage) which—

1 “(A) the number of days the qualified dis-
2 place persons reside without charge with the
3 taxpayer in the principal residence of the tax-
4 payer during the taxable year, bears to

5 “(B) 360.

6 “(b) LIMITATIONS.—

7 “(1) LIMITATION BASED ON ADJUSTED GROSS
8 INCOME.—The amount of the credit allowable under
9 subsection (a) shall be reduced (but not below zero)
10 by \$50 for each \$1,000 (or fraction thereof) by
11 which the taxpayer’s modified adjusted gross income
12 exceeds the threshold amount. For purposes of the
13 preceding sentence, the term ‘modified adjusted
14 gross income’ means adjusted gross income in-
15 creased by any amount excluded from gross income
16 under section 911, 931, or 933.

17 “(2) THRESHOLD AMOUNT.—For purposes of
18 paragraph (1), the term ‘threshold amount’ means—

19 “(A) \$110,000 in the case of a joint re-
20 turn,

21 “(B) \$75,000 in the case of an individual
22 who is not married, and

23 “(C) \$55,000 in the case of a married in-
24 dividual filing a separate return.

1 For purposes of this paragraph, marital status shall
2 be determined under section 7703.

3 “(3) LIMITATION BASED ON AMOUNT OF
4 TAX.—

5 “(A) the sum of the regular tax liability
6 (as defined in section 26(b)) plus the tax im-
7 posed by section 55, over

8 “(B) the sum of the credits allowable
9 under this subpart (other than this section and
10 sections 23 and 25B) and section 27 for the
11 taxable year.

12 “(c) QUALIFIED DISPLACED PERSON.—For purposes
13 of this section, the term ‘qualified displaced person’
14 means, with respect to any taxpayer for any taxable year,
15 any individual—

16 “(1) who is displaced by reason of Hurricane
17 Katrina, and

18 “(2) who, after such displacement, resides with
19 the taxpayer without charge for not less than 90
20 days.

21 Such term shall not include the spouse or any dependent
22 of the taxpayer.

23 “(d) IDENTIFICATION REQUIREMENT.—No credit
24 shall be allowed under this section to a taxpayer with re-
25 spect to any qualified displaced person unless the taxpayer

1 includes the name and taxpayer identification number of
 2 such qualified displaced person on the return of tax for
 3 the taxable year.

4 “(e) TAXABLE YEAR MUST BE FULL TAXABLE
 5 YEAR.—Except in the case of a taxable year closed by rea-
 6 son of the death of the taxpayer, no credit shall be allow-
 7 able under this section in the case of a taxable year cov-
 8 ering a period of less than 12 months.

9 “(f) TERMINATION.—This section shall not apply to
 10 taxable years beginning after December 31, 2006.”.

11 (b) CLERICAL AMENDMENT.—The table of sections
 12 for subpart A of of part IV of subchapter A of chapter
 13 1 of such Code is amended by adding at the end the fol-
 14 lowing new item:

“Sec. 25E. Hurricane Katrina displaced resident credit.”.

15 **SEC. 4. HOME PURCHASE BY VICTIMS OF HURRICANE**
 16 **KATRINA.**

17 (a) IN GENERAL.—Subpart A of of part IV of sub-
 18 chapter A of chapter 1 of the Internal Revenue Code of
 19 1986 (relating to nonrefundable personal credits) is
 20 amended by inserting after section 25E the following new
 21 section:

22 **“SEC. 25F. HOME PURCHASE BY INDIVIDUALS DISPLACED**
 23 **BY HURRICANE KATRINA.**

24 “(a) ALLOWANCE OF CREDIT.—In the case of an eli-
 25 gible homebuyer who purchases a principal residence in

1 the Hurricane Katrina disaster area, there shall be al-
2 lowed as a credit against the tax imposed by this chapter
3 for the taxable year an amount equal to so much of the
4 purchase price of the residence as does not exceed \$5,000.

5 “(b) LIMITATION BASED ON MODIFIED ADJUSTED
6 GROSS INCOME.—

7 “(1) IN GENERAL.—The amount allowable as a
8 credit under subsection (a) (determined without re-
9 gard to this subsection and subsection (d)) for the
10 taxable year shall be reduced (but not below zero) by
11 the amount which bears the same ratio to the credit
12 so allowable as—

13 “(A) the excess (if any) of—

14 “(i) the taxpayer’s modified adjusted
15 gross income for such taxable year, over

16 “(ii) \$70,000 (\$110,000 in the case of
17 a joint return), bears to

18 “(B) \$20,000.

19 “(2) MODIFIED ADJUSTED GROSS INCOME.—

20 For purposes of paragraph (1), the term ‘modified
21 adjusted gross income’ means the adjusted gross in-
22 come of the taxpayer for the taxable year increased
23 by any amount excluded from gross income under
24 section 911, 931, or 933.

1 “(c) ELIGIBLE HOMEBUYER.—For purposes of this
2 section—

3 “(1) IN GENERAL.—The term ‘eligible home-
4 buyer’ means any individual if—

5 “(A) on August 29, 2005, the principal
6 place of abode of such individual (and if mar-
7 ried, such individual’s spouse) was located in
8 the Hurricane Katrina disaster area, and such
9 principal place of abode was rendered uninhab-
10 itable by Hurricane Katrina, and

11 “(B) the principal residence for which the
12 credit is allowed under subsection (a) is located
13 in the same State as such principal place of
14 abode.

15 “(2) ONE-TIME ONLY.—If an individual is al-
16 lowed a credit under this section with respect to any
17 principal residence, such individual may not be al-
18 lowed a credit under this section with respect to any
19 other principal residence.

20 “(3) PRINCIPAL RESIDENCE.—The term ‘prin-
21 cipal residence’ has the same meaning as when used
22 in section 121.

23 “(d) CARRYOVER OF CREDIT.—If the credit allowable
24 under subsection (a) exceeds the limitation imposed by
25 section 26(a) for such taxable year reduced by the sum

1 of the credits allowable under this subpart (other than this
2 section and sections 23, 24, 25B, and 1400C) such excess
3 shall be carried to the succeeding taxable year and added
4 to the credit allowable under subsection (a) for such tax-
5 able year.

6 “(e) OTHER DEFINITIONS AND SPECIAL RULES.—

7 For purposes of this section—

8 “(1) HURRICANE KATRINA DISASTER AREA.—

9 The term ‘Hurricane Katrina disaster area’ means
10 an area determined by the President to warrant as-
11 sistance from the Federal Government under the
12 Robert T. Stafford Disaster Relief and Emergency
13 Assistance Act by reason of Hurricane Katrina.

14 “(2) ALLOCATION OF DOLLAR LIMITATION.—

15 “(A) MARRIED INDIVIDUALS FILING SEPA-
16 RATELY.—In the case of a married individual
17 filing a separate return, subsection (a) shall be
18 applied by substituting ‘\$2,500’ for ‘\$5,000’.

19 “(B) OTHER TAXPAYERS.—If 2 or more
20 individuals who are not married purchase a
21 principal residence, the amount of the credit al-
22 lowed under subsection (a) shall be allocated
23 among such individuals in such manner as the
24 Secretary may prescribe, except that the total

1 amount of the credits allowed to all such indi-
2 viduals shall not exceed \$5,000.

3 “(3) PURCHASE.—

4 “(A) IN GENERAL.—The term ‘purchase’
5 means any acquisition, but only if—

6 “(i) the property is not acquired from
7 a person whose relationship to the person
8 acquiring it would result in the disallow-
9 ance of losses under section 267 or 707(b)
10 (but, in applying section 267(b) and (c) for
11 purposes of this section, paragraph (4) of
12 section 267(c) shall be treated as providing
13 that the family of an individual shall in-
14 clude only his spouse, ancestors, and lineal
15 descendants), and

16 “(ii) the basis of the property in the
17 hands of the person acquiring it is not de-
18 termined—

19 “(I) in whole or in part by ref-
20 erence to the adjusted basis of such
21 property in the hands of the person
22 from whom acquired, or

23 “(II) under section 1014(a) (re-
24 lating to property acquired from a de-
25 cedent).

1 “(B) CONSTRUCTION.—A residence which
2 is constructed by the taxpayer shall be treated
3 as purchased by the taxpayer on the date the
4 taxpayer first occupies such residence.

5 “(4) PURCHASE PRICE.—The term ‘purchase
6 price’ means the adjusted basis of the principal resi-
7 dence on the date such residence is purchased.

8 “(f) REPORTING.—If the Secretary requires informa-
9 tion reporting under section 6045 by a person described
10 in subsection (e)(2) thereof to verify the eligibility of tax-
11 payers for the credit allowable by this section, the excep-
12 tion provided by section 6045(e)(5) shall not apply.

13 “(g) BASIS ADJUSTMENT.—For purposes of this sub-
14 title, if a credit is allowed under this section with respect
15 to the purchase of any residence, the basis of such resi-
16 dence shall be reduced by the amount of the credit so al-
17 lowed.

18 “(h) APPLICATION OF SECTION.—This section shall
19 apply to property purchased after August 28, 2005, and
20 before January 1, 2007.”.

21 (b) CONFORMING AMENDMENT.—Section 1016(a) of
22 such Code is amended by striking “and” at the end of
23 paragraph (36), by striking the period at the end of para-
24 graph (37) and inserting “, and”, and by adding at the
25 end the following new paragraph:

1 “(38) to the extent provided in section
2 25F(g).”.

3 (c) CLERICAL AMENDMENT.—The table of sections
4 for subpart A of of part IV of subchapter A of chapter
5 1 of such Code is amended by inserting after the item
6 relating to section 25E the following new item:

 “Sec. 25F. Home purchase by individuals displaced by Hurricane Katrina.”.

7 (d) EFFECTIVE DATE.—The amendments made by
8 this section shall apply to taxable years ending after the
9 date of the enactment of this Act.

10 **SEC. 5. RELIEF THROUGH LOW-INCOME HOUSING CREDIT**
11 **RELATING TO HURRICANE KATRINA.**

12 (a) INCREASE IN HOUSING CREDIT DOLLAR
13 AMOUNT.—For purposes of determining the State housing
14 credit ceiling of the States of Alabama, Louisiana, and
15 Mississippi for 2006 and 2007, section 42(h)(3)(C)(ii)(I)
16 of the Internal Revenue Code of 1986 shall be applied by
17 substituting “\$3.70” for “\$1.75”.

18 (b) AUTHORITY TO WAIVE PERCENTAGE LIMITATION
19 TO TREAT HURRICANE KATRINA DISASTER AREAS AS
20 DIFFICULT DEVELOPMENT AREAS.—In the case of tax-
21 able years beginning in 2005, 2006, and 2007, any area
22 in the State of Alabama, Florida, Louisiana, or Mississippi
23 located within the area determined by the President to
24 warrant assistance from the Federal Government under
25 the Robert T. Stafford Disaster Relief and Emergency As-

1 sistance Act by reason of Hurricane Katrina shall be
2 treated as a difficult development area for purposes of sec-
3 tion 42(d)(5)(C) of the Internal Revenue Code of 1986,
4 notwithstanding the percentage limitation in clause
5 (iii)(II) of such section.

6 (c) WAIVER OF FULL SUBSCRIPTION REQUIRE-
7 MENT.—In the case of the States of Alabama, Florida,
8 Louisiana, and Mississippi for 2005, 2006, and 2007, sec-
9 tion 42(h)(3)(D) of such Code shall be applied without re-
10 gard to clause (iv)(I) of such section.

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