

**AMENDMENT IN THE NATURE OF A SUBSTITUTE
TO H.R. 3997
OFFERED BY MR. RANGEL OF NEW YORK**

Strike all after the enacting clause and insert the following:

1 SECTION 1. SHORT TITLE, ETC.

2 (a) **SHORT TITLE.**—This Act may be cited as the
3 “Heroes Earnings Assistance and Relief Tax Act of
4 2007”.

5 (b) **REFERENCE.**—Except as otherwise expressly pro-
6 vided, whenever in this Act an amendment or repeal is
7 expressed in terms of an amendment to, or repeal of, a
8 section or other provision, the reference shall be consid-
9 ered to be made to a section or other provision of the In-
10 ternal Revenue Code of 1986.

11 (c) **TABLE OF CONTENTS.**—The table of contents for
12 this Act is as follows:

Sec. 1. Short title, etc.

**TITLE I—BENEFITS FOR MILITARY AND VOLUNTEER
FIREFIGHTERS**

Sec. 101. Election to include combat pay as earned income for purposes of earned income tax credit.

Sec. 102. Modification of mortgage revenue bonds for veterans.

Sec. 103. Survivor and disability payments with respect to qualified military service.

Sec. 104. Treatment of differential military pay as wages.

Sec. 105. Exclusion from income for benefits provided to volunteer firefighters and emergency medical responders.

- Sec. 106. Special period of limitation when uniformed services retired pay is reduced as a result of award of disability compensation.
- Sec. 107. Distributions from retirement plans to individuals called to active duty.
- Sec. 108. Disclosure of return information relating to veterans programs made permanent.
- Sec. 109. Contributions of military death gratuities to Roth IRAs and Education Savings Accounts.
- Sec. 110. Suspension of 5-year period during service with the Peace Corps.

TITLE II—IMPROVEMENTS IN SUPPLEMENTAL SECURITY INCOME

- Sec. 201. Treatment of uniformed service cash remuneration as earned income.
- Sec. 202. State annuities for blind veterans to be disregarded in determining supplemental security income benefits.
- Sec. 203. Exclusion of AmeriCorps benefits for purposes of determining supplemental security income eligibility and benefit amounts.
- Sec. 204. Effective date.

TITLE III—REVENUE PROVISIONS

- Sec. 301. Modification of penalty for failure to file partnership returns.
- Sec. 302. Penalty for failure to file S corporation returns.
- Sec. 303. Increase in information return penalties.
- Sec. 304. Increase in minimum penalty on failure to file a return of tax.

1 **TITLE I—BENEFITS FOR MILI-** 2 **TARY AND VOLUNTEER FIRE-** 3 **FIGHTERS**

4 **SEC. 101. ELECTION TO INCLUDE COMBAT PAY AS EARNED** 5 **INCOME FOR PURPOSES OF EARNED INCOME** 6 **TAX CREDIT.**

- 7 (a) IN GENERAL.—Clause (vi) of section 32(c)(2)(B)
- 8 (defining earned income) is amended to read as follows:
- 9 “(vi) a taxpayer may elect to treat
- 10 amounts excluded from gross income by
- 11 reason of section 112 as earned income.”.
- 12 (b) SUNSET NOT APPLICABLE.—Section 105 of the
- 13 Working Families Tax Relief Act of 2004 (relating to ap-

1 plication of EGTRRA sunset to this title) shall not apply
2 to section 104(b) of such Act.

3 (c) EFFECTIVE DATE.—The amendment made by
4 this section shall apply to taxable years ending after De-
5 cember 31, 2007.

6 **SEC. 102. MODIFICATION OF MORTGAGE REVENUE BONDS**
7 **FOR VETERANS.**

8 (a) QUALIFIED MORTGAGE BONDS USED TO FI-
9 NANCE RESIDENCES FOR VETERANS WITHOUT REGARD
10 TO FIRST-TIME HOMEBUYER REQUIREMENT.—Subpara-
11 graph (D) of section 143(d)(2) (relating to exceptions) is
12 amended by striking “and before January 1, 2008”.

13 (b) INCREASE IN BOND LIMITATION FOR ALASKA,
14 OREGON, AND WISCONSIN.—Clause (ii) of section
15 143(l)(3)(B) (relating to State veterans limit) is amended
16 by striking “\$25,000,000” each place it appears and in-
17 serting “\$100,000,000”.

18 (c) DEFINITION OF QUALIFIED VETERAN.—Para-
19 graph (4) of section 143(l) (defining qualified veteran) is
20 amended to read as follows:

21 “(4) QUALIFIED VETERAN.—For purposes of
22 this subsection, the term ‘qualified veteran’ means
23 any veteran who—

24 “(A) served on active duty, and

1 “(B) applied for the financing before the
2 date 25 years after the last date on which such
3 veteran left active service.”.

4 (d) **EFFECTIVE DATE.**—The amendments made by
5 this section shall apply to bonds issued after December
6 31, 2007.

7 **SEC. 103. SURVIVOR AND DISABILITY PAYMENTS WITH RE-**
8 **SPECT TO QUALIFIED MILITARY SERVICE.**

9 (a) **PLAN QUALIFICATION REQUIREMENT FOR**
10 **DEATH BENEFITS UNDER USERRA-QUALIFIED ACTIVE**
11 **MILITARY SERVICE.**—Subsection (a) of section 401 (relat-
12 ing to requirements for qualification) is amended by in-
13 serting after paragraph (36) the following new paragraph:

14 “(37) **DEATH BENEFITS UNDER USERRA-QUALI-**
15 **FIED ACTIVE MILITARY SERVICE.**—A trust shall not
16 constitute a qualified trust unless the plan provides
17 that, in the case of a participant who dies while per-
18 forming qualified military service (as defined in sec-
19 tion 414(u)), the survivors of the participant are en-
20 titled to any additional benefits (other than benefit
21 accruals relating to the period of qualified military
22 service) provided under the plan had the participant
23 resumed and then terminated employment on ac-
24 count of death.”.

1 (b) TREATMENT IN THE CASE OF DEATH OR DIS-
2 ABILITY RESULTING FROM ACTIVE MILITARY SERVICE
3 FOR BENEFIT ACCRUAL PURPOSES.—Subsection (u) of
4 section 414 (relating to special rules relating to veterans’
5 reemployment rights under USERRA) is amended by re-
6 designating paragraphs (9) and (10) as paragraphs (10)
7 and (11), respectively, and by inserting after paragraph
8 (8) the following new paragraph:

9 “(9) TREATMENT IN THE CASE OF DEATH OR
10 DISABILITY RESULTING FROM ACTIVE MILITARY
11 SERVICE.—

12 “(A) IN GENERAL.—For benefit accrual
13 purposes, an employer sponsoring a retirement
14 plan may treat an individual who dies or be-
15 comes disabled (as defined under the terms of
16 the plan) while performing qualified military
17 service with respect to the employer maintain-
18 ing the plan as if the individual has resumed
19 employment in accordance with the individual’s
20 reemployment rights under chapter 43 of title
21 38, United States Code, on the day preceding
22 death or disability (as the case may be) and ter-
23 minated employment on the actual date of
24 death or disability. In the case of any such
25 treatment, and subject to subparagraphs (B)

1 and (C), any full or partial compliance by such
2 plan with respect to the benefit accrual require-
3 ments of paragraph (8) with respect to such in-
4 dividual shall be treated for purposes of para-
5 graph (1) as if such compliance were required
6 under such chapter 43.

7 “(B) NONDISCRIMINATION REQUIRE-
8 MENT.—Subparagraph (A) shall apply only if
9 all individuals performing qualified military
10 service with respect to the employer maintain-
11 ing the plan (as determined under subsections
12 (b), (c), (m), and (o)) who die or became dis-
13 abled as a result of performing qualified mili-
14 tary service prior to reemployment by the em-
15 ployer are credited with service and benefits on
16 reasonably equivalent terms.

17 “(C) DETERMINATION OF BENEFITS.—The
18 amount of employee contributions and the
19 amount of elective deferrals of an individual
20 treated as reemployed under subparagraph (A)
21 for purposes of applying paragraph (8)(C) shall
22 be determined on the basis of the individual’s
23 average actual employee contributions or elec-
24 tive deferrals for the lesser of—

1 “(i) the 12-month period of service
2 with the employer immediately prior to
3 qualified military service, or

4 “(ii) if service with the employer is
5 less than such 12-month period, the actual
6 length of continuous service with the em-
7 ployer.”.

8 (c) CONFORMING AMENDMENTS.—

9 (1) Section 404(a)(2) is amended by striking
10 “and (31)” and inserting “(31), and (37)”.

11 (2) Section 403(b) is amended by adding at the
12 end the following new paragraph:

13 “(14) DEATH BENEFITS UNDER USERRA-QUALI-
14 FIED ACTIVE MILITARY SERVICE.—This subsection
15 shall not apply to an annuity contract unless such
16 contract meets the requirements of section
17 401(a)(37).”.

18 (3) Section 457(g) is amended by adding at the
19 end the following new paragraph:

20 “(4) DEATH BENEFITS UNDER USERRA-QUALI-
21 FIED ACTIVE MILITARY SERVICE.—A plan described
22 in paragraph (1) shall not be treated as an eligible
23 deferred compensation plan unless such plan meets
24 the requirements of section 401(a)(37).”.

25 (d) EFFECTIVE DATE.—

1 (1) IN GENERAL.—The amendments made by
2 this section shall apply with respect to deaths and
3 disabilities occurring on or after January 1, 2007.

4 (2) PROVISIONS RELATING TO PLAN AMEND-
5 MENTS.—

6 (A) IN GENERAL.—If this subparagraph
7 applies to any plan or contract amendment,
8 such plan or contract shall be treated as being
9 operated in accordance with the terms of the
10 plan during the period described in subpara-
11 graph (B)(iii).

12 (B) AMENDMENTS TO WHICH SUBPARA-
13 GRAPH (A) APPLIES.—

14 (i) IN GENERAL.—Subparagraph (A)
15 shall apply to any amendment to any plan
16 or annuity contract which is made—

17 (I) pursuant to the amendments
18 made by subsection (a) or pursuant to
19 any regulation issued by the Secretary
20 of the Treasury under subsection (a),
21 and

22 (II) on or before the last day of
23 the first plan year beginning on or
24 after January 1, 2009.

1 In the case of a governmental plan (as de-
2 fined in section 414(d) of the Internal Rev-
3 enue Code of 1986), this clause shall be
4 applied by substituting “2011” for “2009”
5 in subclause (II).

6 (ii) CONDITIONS.—This paragraph
7 shall not apply to any amendment unless—

8 (I) the plan or contract is oper-
9 ated as if such plan or contract
10 amendment were in effect for the pe-
11 riod described in clause (iii), and

12 (II) such plan or contract amend-
13 ment applies retroactively for such pe-
14 riod.

15 (iii) PERIOD DESCRIBED.—The period
16 described in this clause is the period—

17 (I) beginning on the effective
18 date specified by the plan, and

19 (II) ending on the date described
20 in clause (i)(II) (or, if earlier, the
21 date the plan or contract amendment
22 is adopted).

1 **SEC. 104. TREATMENT OF DIFFERENTIAL MILITARY PAY AS**
2 **WAGES.**

3 (a) INCOME TAX WITHHOLDING ON DIFFERENTIAL
4 WAGE PAYMENTS.—

5 (1) IN GENERAL.—Section 3401 (relating to
6 definitions) is amended by adding at the end the fol-
7 lowing new subsection:

8 “(h) DIFFERENTIAL WAGE PAYMENTS TO ACTIVE
9 DUTY MEMBERS OF THE UNIFORMED SERVICES.—

10 “(1) IN GENERAL.—For purposes of subsection
11 (a), any differential wage payment shall be treated
12 as a payment of wages by the employer to the em-
13 ployee.

14 “(2) DIFFERENTIAL WAGE PAYMENT.—For
15 purposes of paragraph (1), the term ‘differential
16 wage payment’ means any payment which—

17 “(A) is made by an employer to an indi-
18 vidual with respect to any period during which
19 the individual is performing service in the uni-
20 formed services (as defined in chapter 43 of
21 title 38, United States Code) while on active
22 duty for a period of more than 30 days, and

23 “(B) represents all or a portion of the
24 wages the individual would have received from
25 the employer if the individual were performing
26 service for the employer.”.

1 (2) EFFECTIVE DATE.—The amendment made
2 by this subsection shall apply to remuneration paid
3 after December 31, 2007.

4 (b) TREATMENT OF DIFFERENTIAL WAGE PAY-
5 MENTS FOR RETIREMENT PLAN PURPOSES.—

6 (1) PENSION PLANS.—

7 (A) IN GENERAL.—Section 414(u) (relat-
8 ing to special rules relating to veterans' reem-
9 ployment rights under USERRA) is amended
10 by adding at the end the following new para-
11 graph:

12 “(11) TREATMENT OF DIFFERENTIAL WAGE
13 PAYMENTS.—

14 “(A) IN GENERAL.—Except as provided in
15 this paragraph, for purposes of applying this
16 title to a retirement plan to which this sub-
17 section applies—

18 “(i) an individual receiving a differen-
19 tial wage payment shall be treated as an
20 employee of the employer making the pay-
21 ment,

22 “(ii) the differential wage payment
23 shall be treated as compensation, and

24 “(iii) the plan shall not be treated as
25 failing to meet the requirements of any

1 provision described in paragraph (1)(C) by
2 reason of any contribution or benefit which
3 is based on the differential wage payment.

4 “(B) SPECIAL RULE FOR DISTRIBUTIONS.—
5

6 “(i) IN GENERAL.—Notwithstanding
7 subparagraph (A)(i), for purposes of sec-
8 tion 401(k)(2)(B)(i)(I), 403(b)(7)(A)(ii),
9 403(b)(11)(A), or 457(d)(1)(A)(ii), an in-
10 dividual shall be treated as having been
11 severed from employment during any pe-
12 riod the individual is performing service in
13 the uniformed services described in section
14 3401(h)(2)(A).

15 “(ii) LIMITATION.—If an individual
16 elects to receive a distribution by reason of
17 clause (i), the plan shall provide that the
18 individual may not make an elective defer-
19 ral or employee contribution during the 6-
20 month period beginning on the date of the
21 distribution.

22 “(C) NONDISCRIMINATION REQUIRE-
23 MENT.—Subparagraph (A)(iii) shall apply only
24 if all employees of an employer (as determined
25 under subsections (b), (c), (m), and (o)) per-

1 forming service in the uniformed services de-
2 scribed in section 3401(h)(2)(A) are entitled to
3 receive differential wage payments on reason-
4 ably equivalent terms and, if eligible to partici-
5 pate in a retirement plan maintained by the
6 employer, to make contributions based on the
7 payments on reasonably equivalent terms. For
8 purposes of applying this subparagraph, the
9 provisions of paragraphs (3), (4), and (5) of
10 section 410(b) shall apply.

11 “(D) DIFFERENTIAL WAGE PAYMENT.—
12 For purposes of this paragraph, the term ‘dif-
13 ferential wage payment’ has the meaning given
14 such term by section 3401(h)(2).”

15 (B) CONFORMING AMENDMENT.—The
16 heading for section 414(u) is amended by in-
17 serting “**AND TO DIFFERENTIAL WAGE PAY-**
18 **MENTS TO MEMBERS ON ACTIVE DUTY**”
19 after “**USERRA**”.

20 (2) DIFFERENTIAL WAGE PAYMENTS TREATED
21 AS COMPENSATION FOR INDIVIDUAL RETIREMENT
22 PLANS.—Section 219(f)(1) (defining compensation)
23 is amended by adding at the end the following new
24 sentence: “The term compensation includes any dif-

1 ferential wage payment (as defined in section
2 3401(h)(2)).”.

3 (3) EFFECTIVE DATE.—The amendments made
4 by this subsection shall apply to years beginning
5 after December 31, 2007.

6 (c) PROVISIONS RELATING TO PLAN AMEND-
7 MENTS.—

8 (1) IN GENERAL.—If this subsection applies to
9 any plan or annuity contract amendment, such plan
10 or contract shall be treated as being operated in ac-
11 cordance with the terms of the plan or contract dur-
12 ing the period described in paragraph (2)(B)(i).

13 (2) AMENDMENTS TO WHICH SECTION AP-
14 PLIES.—

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

18 (i) pursuant to any amendment made
19 by subsection (b)(1), and

20 (ii) on or before the last day of the
21 first plan year beginning on or after Janu-
22 ary 1, 2009.

23 In the case of a governmental plan (as defined
24 in section 414(d) of the Internal Revenue Code

1 of 1986), this subparagraph shall be applied by
2 substituting “2011” for “2009” in clause (ii).

3 (B) CONDITIONS.—This subsection shall
4 not apply to any plan or annuity contract
5 amendment unless—

6 (i) during the period beginning on the
7 date the amendment described in subpara-
8 graph (A)(i) takes effect and ending on the
9 date described in subparagraph (A)(ii) (or,
10 if earlier, the date the plan or contract
11 amendment is adopted), the plan or con-
12 tract is operated as if such plan or con-
13 tract amendment were in effect, and

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

16 **SEC. 105. EXCLUSION FROM INCOME FOR BENEFITS PRO-**
17 **VIDED TO VOLUNTEER FIREFIGHTERS AND**
18 **EMERGENCY MEDICAL RESPONDERS.**

19 (a) IN GENERAL.—Part III of subchapter B of chap-
20 ter 1 (relating to items specifically excluded from gross
21 income) is amended by inserting after section 139A the
22 following new section:

1 **“SEC. 139B. BENEFITS PROVIDED TO VOLUNTEER FIRE-**
2 **FIGHTERS AND EMERGENCY MEDICAL RE-**
3 **SPONDERS.**

4 “(a) IN GENERAL.—In the case of any member of
5 a qualified volunteer emergency response organization,
6 gross income shall not include—

7 “(1) any qualified State and local tax benefit,
8 and

9 “(2) any qualified payment.

10 “(b) DENIAL OF DOUBLE BENEFITS.—In the case
11 of any member of a qualified volunteer emergency re-
12 sponse organization—

13 “(1) the deduction under 164 shall be deter-
14 mined with regard to any qualified State and local
15 tax benefit, and

16 “(2) expenses paid or incurred by the taxpayer
17 in connection with the performance of services as
18 such a member shall be taken into account under
19 section 170 only to the extent such expenses exceed
20 the amount of any qualified payment excluded from
21 gross income under subsection (a).

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

23 “(1) QUALIFIED STATE AND LOCAL TAX BEN-
24 EFIT.—The term ‘qualified state and local tax ben-
25 efit’ means any reduction or rebate of a tax de-
26 scribed in paragraph (1), (2), or (3) of section

1 164(a) provided by a State or political division
2 thereof on account of services performed as a mem-
3 ber of a qualified volunteer emergency response or-
4 ganization.

5 “(2) QUALIFIED PAYMENT.—

6 “(A) IN GENERAL.—The term ‘qualified
7 payment’ means any payment (whether reim-
8 bursement or otherwise) provided by a State or
9 political division thereof on account of the per-
10 formance of services as a member of a qualified
11 volunteer emergency response organization.

12 “(B) APPLICABLE DOLLAR LIMITATION.—
13 The amount determined under subparagraph
14 (A) for any taxable year shall not exceed \$30
15 multiplied by the number of months during
16 such year that the taxpayer performs such serv-
17 ices.

18 “(3) QUALIFIED VOLUNTEER EMERGENCY RE-
19 SPONSE ORGANIZATION.—The term ‘qualified volun-
20 teer emergency response organization’ means any
21 volunteer organization—

22 “(A) which is organized and operated to
23 provide firefighting or emergency medical serv-
24 ices for persons in the State or political subdivi-
25 sion, as the case may be, and

1 “(B) which is required (by written agree-
2 ment) by the State or political subdivision to
3 furnish firefighting or emergency medical serv-
4 ices in such State or political subdivision.”.

5 (b) CLERICAL AMENDMENT.—The table of sections
6 for such part is amended by inserting after the item relat-
7 ing to section 139A the following new item:

 “Sec. 139B. Benefits provided to volunteer firefighters and emergency medical
 responders.”.

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

11 **SEC. 106. SPECIAL PERIOD OF LIMITATION WHEN UNI-**
12 **FORMED SERVICES RETIRED PAY IS RE-**
13 **DUCTION AS A RESULT OF AWARD OF DIS-**
14 **ABILITY COMPENSATION.**

15 (a) IN GENERAL.—Subsection (d) of section 6511
16 (relating to special rules applicable to income taxes) is
17 amended by adding at the end the following new para-
18 graph:

19 “(8) SPECIAL RULES WHEN UNIFORMED SERV-
20 ICES RETIRED PAY IS REDUCED AS A RESULT OF
21 AWARD OF DISABILITY COMPENSATION.—

22 “(A) PERIOD OF LIMITATION ON FILING
23 CLAIM.—If the claim for credit or refund re-

1 lates to an overpayment of tax imposed by sub-
2 title A on account of—

3 “(i) the reduction of uniformed serv-
4 ices retired pay computed under section
5 1406 or 1407 of title 10, United States
6 Code, or

7 “(ii) the waiver of such pay under sec-
8 tion 5305 of title 38 of such Code,
9 as a result of an award of compensation under
10 title 38 of such Code pursuant to a determina-
11 tion by the Secretary of Veterans Affairs, the 3-
12 year period of limitation prescribed in sub-
13 section (a) shall be extended, for purposes of
14 permitting a credit or refund based upon the
15 amount of such reduction or waiver, until the
16 end of the 1-year period beginning on the date
17 of such determination.

18 “(B) LIMITATION TO 5 TAXABLE YEARS.—
19 Subparagraph (A) shall not apply with respect
20 to any taxable year which began more than 5
21 years before the date of such determination.”.

22 (b) EFFECTIVE DATE.—The amendment made by
23 subsection (a) shall apply to claims for credit or refund
24 filed after the date of the enactment of this Act.

1 (c) TRANSITION RULES.—In the case of a determina-
2 tion described in paragraph (8) of section 6511(d) of the
3 Internal Revenue Code of 1986 (as added by this section)
4 which is made by the Secretary of Veterans Affairs after
5 December 31, 2000, and before the date of the enactment
6 of this Act, such paragraph—

7 (1) shall not apply with respect to any taxable
8 year which began before January 1, 2001, and

9 (2) shall be applied by substituting for “the
10 date of such determination” in subparagraph (A)
11 thereof.

12 **SEC. 107. DISTRIBUTIONS FROM RETIREMENT PLANS TO**
13 **INDIVIDUALS CALLED TO ACTIVE DUTY.**

14 (a) IN GENERAL.—Clause (iv) of section 72(t)(2)(G)
15 is amended by striking “, and before December 31, 2007”.

16 (b) EFFECTIVE DATE.—The amendment made by
17 this section shall apply to individuals ordered or called to
18 active duty on or after December 31, 2007.

19 **SEC. 108. DISCLOSURE OF RETURN INFORMATION RELAT-**
20 **ING TO VETERANS PROGRAMS MADE PERMA-**
21 **NENT.**

22 (a) IN GENERAL.—Subparagraph (D) of section
23 6103(l)(7) (relating to disclosure of return information to
24 Federal, State, and local agencies administering certain
25 programs under the Social Security Act, the Food Stamp

1 Act of 1977, or title 38, United States Code or certain
2 housing assistance programs) is amended by striking the
3 last sentence.

4 (b) EFFECTIVE DATE.—The amendments made by
5 this section shall apply to requests made after September
6 30, 2008.

7 **SEC. 109. CONTRIBUTIONS OF MILITARY DEATH GRATU-**
8 **ITIES TO ROTH IRAS AND EDUCATION SAV-**
9 **INGS ACCOUNTS.**

10 (a) PROVISION IN EFFECT BEFORE PENSION PRO-
11 TECTION ACT.—Subsection (e) of section 408A (relating
12 to qualified rollover contribution), as in effect before the
13 amendments made by section 824 of the Pension Protec-
14 tion Act of 2006, is amended to read as follows:

15 “(e) QUALIFIED ROLLOVER CONTRIBUTION.—For
16 purposes of this section—

17 “(1) IN GENERAL.—The term ‘qualified rollover
18 contribution’ means a rollover contribution to a Roth
19 IRA from another such account, or from an indi-
20 vidual retirement plan, but only if such rollover con-
21 tribution meets the requirements of section
22 408(d)(3). Such term includes a rollover contribu-
23 tion described in section 402A(c)(3)(A). For pur-
24 poses of section 408(d)(3)(B), there shall be dis-
25 regarded any qualified rollover contribution from an

1 individual retirement plan (other than a Roth IRA)
2 to a Roth IRA.

3 “(2) MILITARY DEATH GRATUITY.—

4 “(A) IN GENERAL.—The term ‘qualified
5 rollover contribution’ includes a contribution to
6 a Roth IRA maintained for the benefit of an in-
7 dividual made before the end of the 1-year pe-
8 riod beginning on the date on which such indi-
9 vidual receives an amount under section 1477
10 of title 10, United States Code, or section 1967
11 of title 38 of such Code, with respect to a per-
12 son, to the extent that such contribution does
13 not exceed—

14 “(i) the sum of the amounts received
15 during such period by such individual
16 under such sections with respect to such
17 person, reduced by

18 “(ii) the amounts so received which
19 were contributed to a Coverdell education
20 savings account under section 530(d)(9).

21 “(B) ANNUAL LIMIT ON NUMBER OF
22 ROLLOVERS NOT TO APPLY.—Section
23 408(d)(3)(B) shall not apply with respect to
24 amounts treated as a rollover by subparagraph
25 (A).

1 “(C) APPLICATION OF SECTION 72.—For
2 purposes of applying section 72 in the case of
3 a distribution which is not a qualified distribu-
4 tion, the amount treated as a rollover by reason
5 of subparagraph (A) shall be treated as invest-
6 ment in the contract.”.

7 (b) PROVISION IN EFFECT AFTER PENSION PROTEC-
8 TION ACT.—Subsection (e) of section 408A, as in effect
9 after the amendments made by section 824 of the Pension
10 Protection Act of 2006, is amended to read as follows:

11 “(e) QUALIFIED ROLLOVER CONTRIBUTION.—For
12 purposes of this section—

13 “(1) IN GENERAL.—The term ‘qualified rollover
14 contribution’ means a rollover contribution—

15 “(A) to a Roth IRA from another such ac-
16 count,

17 “(B) from an eligible retirement plan, but
18 only if—

19 “(i) in the case of an individual retire-
20 ment plan, such rollover contribution meets
21 the requirements of section 408(d)(3), and

22 “(ii) in the case of any eligible retire-
23 ment plan (as defined in section
24 402(c)(8)(B) other than clauses (i) and (ii)
25 thereof), such rollover contribution meets

1 the requirements of section 402(c),
2 403(b)(8), or 457(e)(16), as applicable.

3 For purposes of section 408(d)(3)(B), there
4 shall be disregarded any qualified rollover con-
5 tribution from an individual retirement plan
6 (other than a Roth IRA) to a Roth IRA.

7 “(2) MILITARY DEATH GRATUITY.—

8 “(A) IN GENERAL.—The term ‘qualified
9 rollover contribution’ includes a contribution to
10 a Roth IRA maintained for the benefit of an in-
11 dividual made before the end of the 1-year pe-
12 riod beginning on the date on which such indi-
13 vidual receives an amount under section 1477
14 of title 10, United States Code, or section 1967
15 of title 38 of such Code, with respect to a per-
16 son, to the extent that such contribution does
17 not exceed—

18 “(i) the sum of the amounts received
19 during such period by such individual
20 under such sections with respect to such
21 person, reduced by

22 “(ii) the amounts so received which
23 were contributed to a Coverdell education
24 savings account under section 530(d)(9).

1 “(B) ANNUAL LIMIT ON NUMBER OF
2 ROLLOVERS NOT TO APPLY.—Section
3 408(d)(3)(B) shall not apply with respect to
4 amounts treated as a rollover by the subpara-
5 graph (A).

6 “(C) APPLICATION OF SECTION 72.—For
7 purposes of applying section 72 in the case of
8 a distribution which is not a qualified distribu-
9 tion, the amount treated as a rollover by reason
10 of subparagraph (A) shall be treated as invest-
11 ment in the contract.”.

12 (c) EDUCATION SAVINGS ACCOUNTS.—Subsection
13 (d) of section 530 is amended by adding at the end the
14 following new paragraph:

15 “(9) MILITARY DEATH GRATUITY.—

16 “(A) IN GENERAL.—For purposes of this
17 section, the term ‘rollover contribution’ includes
18 a contribution to a Coverdell education savings
19 account made before the end of the 1-year pe-
20 riod beginning on the date on which the con-
21 tributor receives an amount under section 1477
22 of title 10, United States Code, or section 1967
23 of title 38 of such Code, with respect to a per-
24 son, to the extent that such contribution does
25 not exceed—

1 “(i) the sum of the amounts received
2 during such period by such contributor
3 under such sections with respect to such
4 person, reduced by

5 “(ii) the amounts so received which
6 were contributed to a Roth IRA under sec-
7 tion 408A(e)(2) or to another Coverdell
8 education savings account.

9 “(B) ANNUAL LIMIT ON NUMBER OF
10 ROLLOVERS NOT TO APPLY.—The last sentence
11 of paragraph (5) shall not apply with respect to
12 amounts treated as a rollover by the subpara-
13 graph (A).

14 “(C) APPLICATION OF SECTION 72.—For
15 purposes of applying section 72 in the case of
16 a distribution which is includible in gross in-
17 come under paragraph (1), the amount treated
18 as a rollover by reason of subparagraph (A)
19 shall be treated as investment in the contract.”.

20 (d) EFFECTIVE DATES.—

21 (1) IN GENERAL.—Except as provided by para-
22 graphs (2) and (3), the amendments made by this
23 section shall apply with respect to deaths from inju-
24 ries occurring on or after the date of the enactment
25 of this Act.

1 (2) APPLICATION OF AMENDMENTS TO DEATHS
2 FROM INJURIES OCCURRING ON OR AFTER OCTOBER
3 7, 2001, AND BEFORE ENACTMENT.—The amend-
4 ments made by this section shall apply to any con-
5 tribution made pursuant to section 408A(e)(2) or
6 530(d)(5) of the Internal Revenue Code of 1986, as
7 amended by this Act, with respect to amounts re-
8 ceived under section 1477 of title 10, United States
9 Code, or under section 1967 of title 38 of such
10 Code, for deaths from injuries occurring on or after
11 October 7, 2001, and before the date of the enact-
12 ment of this Act if such contribution is made not
13 later than 1 year after the date of the enactment of
14 this Act.

15 (3) PENSION PROTECTION ACT CHANGES.—Sec-
16 tion 408A(e)(1) of the Internal Revenue Code of
17 1986 (as in effect after the amendments made by
18 subsection (b)) shall apply to taxable years begin-
19 ning after December 31, 2007.

20 **SEC. 110. SUSPENSION OF 5-YEAR PERIOD DURING SERV-**
21 **ICE WITH THE PEACE CORPS.**

22 (a) IN GENERAL.—Subsection (d) of section 121 (re-
23 lating to special rules) is amended by adding at the end
24 the following new paragraph:

25 “(12) PEACE CORPS.—

1 “(A) IN GENERAL.—At the election of an
2 individual with respect to a property, the run-
3 ning of the 5-year period described in sub-
4 sections (a) and (c)(1)(B) and paragraph (7) of
5 this subsection with respect to such property
6 shall be suspended during any period that such
7 individual or such individual’s spouse is serving
8 outside the United States—

9 “(i) on qualified official extended duty
10 (as defined in paragraph (9)(C)) as an em-
11 ployee of the Peace Corps, or

12 “(ii) as an enrolled volunteer or volun-
13 teer leader under section 5 or 6 (as the
14 case may be) of the Peace Corps Act (22
15 U.S.C. 2504, 2505).

16 “(B) APPLICABLE RULES.—For purposes
17 of subparagraph (A), rules similar to the rules
18 of subparagraphs (B) and (D) shall apply.”.

19 (b) EFFECTIVE DATE.—The amendment made by
20 subsection (a) shall apply to taxable years beginning after
21 December 31, 2007.

1 **TITLE II—IMPROVEMENTS IN**
2 **SUPPLEMENTAL SECURITY**
3 **INCOME**

4 **SEC. 201. TREATMENT OF UNIFORMED SERVICE CASH RE-**
5 **MUNERATION AS EARNED INCOME.**

6 (a) IN GENERAL.—Section 1612(a)(1)(A) of the So-
7 cial Security Act (42 U.S.C. 1382a(a)(1)(A)) is amended
8 by inserting “(and, in the case of cash remuneration paid
9 for service as a member of a uniformed service (other than
10 payments described in paragraph (2)(H) of this subsection
11 or subsection (b)(20)), without regard to the limitations
12 contained in section 209(d))” before the semicolon.

13 (b) CERTAIN HOUSING PAYMENTS TREATED AS IN-
14 KIND SUPPORT AND MAINTENANCE.—Section 1612(a)(2)
15 of such Act (42 U.S.C. 1382a(a)(2)) is amended—

16 (1) by striking “and” at the end of subpara-
17 graph (F);

18 (2) by striking the period at the end of sub-
19 paragraph (G) and inserting “; and”; and

20 (3) by adding at the end the following:

21 “(H) payments to or on behalf of a mem-
22 ber of a uniformed service for housing of the
23 member (and his or her dependents, if any) on
24 a facility of a uniformed service, including pay-
25 ments provided under section 403 of title 37,

1 United States Code, for housing that is ac-
2 quired or constructed under subchapter IV of
3 chapter 169 of title 10 of such Code, or any re-
4 lated provision of law, and any such payments
5 shall be treated as support and maintenance in
6 kind subject to subparagraph (A) of this para-
7 graph.”.

8 **SEC. 202. STATE ANNUITIES FOR BLIND VETERANS TO BE**
9 **DISREGARDED IN DETERMINING SUPPLE-**
10 **MENTAL SECURITY INCOME BENEFITS.**

11 (a) **INCOME DISREGARD.**—Section 1612(b) of the So-
12 cial Security Act (42 U.S.C. 1382a(b)) is amended—

13 (1) by striking “and” at the end of paragraph
14 (22);

15 (2) by striking the period at the end of para-
16 graph (23) and inserting “; and”; and

17 (3) by adding at the end the following:

18 “(24) any annuity paid by a State to the indi-
19 vidual (or such spouse) on the basis of the individ-
20 ual’s being a veteran (as defined in section 101 of
21 title 38, United States Code) and blind.”.

22 (b) **RESOURCE DISREGARD.**—Section 1613(a) of
23 such Act (42 U.S.C. 1382b(a)) is amended—

24 (1) by striking “and” at the end of paragraph
25 (14);

1 (2) by striking the period at the end of para-
2 graph (15) and inserting “; and”; and

3 (3) by inserting after paragraph (15) the fol-
4 lowing:

5 “(16) for the month of receipt and every month
6 thereafter, any annuity paid by a State to the indi-
7 vidual (or such spouse) on the basis of the individ-
8 ual’s being a veteran (as defined in section 101 of
9 title 38, United States Code) and blind.”.

10 **SEC. 203. EXCLUSION OF AMERICORPS BENEFITS FOR PUR-**
11 **POSES OF DETERMINING SUPPLEMENTAL SE-**
12 **CURITY INCOME ELIGIBILITY AND BENEFIT**
13 **AMOUNTS.**

14 Section 1612(b) of the Social Security Act (42 U.S.C.
15 1382a(b)), as amended by section 202(a) of this Act, is
16 amended—

17 (1) in paragraph (23), by striking “and” at the
18 end;

19 (2) in paragraph (24), by striking the period
20 and inserting “; and”; and

21 (3) by adding at the end the following:

22 “(25) any benefit (whether cash or in-kind)
23 conferred upon (or paid on behalf of) a participant
24 in an AmeriCorps position approved by the Corpora-
25 tion for National and Community Service under

1 section 123 of the National and Community Service
2 Act of 1990 (42 U.S.C. 12573).”.

3 **SEC. 204. EFFECTIVE DATE.**

4 The amendments made by this title shall be effective
5 with respect to benefits payable for months beginning
6 after 60 days after the date of the enactment of this Act.

7 **TITLE III—REVENUE**
8 **PROVISIONS**

9 **SEC. 301. MODIFICATION OF PENALTY FOR FAILURE TO**
10 **FILE PARTNERSHIP RETURNS.**

11 (a) **EXTENSION OF TIME LIMITATION.**—Subsection
12 (a) of section 6698 (relating to general rule) is amended
13 by striking “5 months” and inserting “12 months”.

14 (b) **INCREASE IN PENALTY AMOUNT.**—Paragraph
15 (1) of section 6698(b) is amended by striking “\$50” and
16 inserting “\$100”.

17 (c) **EFFECTIVE DATE.**—The amendments made by
18 this section shall apply to returns required to be filed after
19 the date of the enactment of this Act.

20 **SEC. 302. PENALTY FOR FAILURE TO FILE S CORPORATION**
21 **RETURNS.**

22 (a) **IN GENERAL.**—Part I of subchapter B of chapter
23 68 (relating to assessable penalties) is amended by adding
24 at the end the following new section:

1 **“SEC. 6699. FAILURE TO FILE S CORPORATION RETURN.**

2 “(a) GENERAL RULE.—In addition to the penalty im-
3 posed by section 7203 (relating to willful failure to file
4 return, supply information, or pay tax), if any S corpora-
5 tion required to file a return under section 6037 for any
6 taxable year—

7 “(1) fails to file such return at the time pre-
8 scribed therefor (determined with regard to any ex-
9 tension of time for filing), or

10 “(2) files a return which fails to show the infor-
11 mation required under section 6037,

12 such S corporation shall be liable for a penalty determined
13 under subsection (b) for each month (or fraction thereof)
14 during which such failure continues (but not to exceed 12
15 months), unless it is shown that such failure is due to rea-
16 sonable cause.

17 “(b) AMOUNT PER MONTH.—For purposes of sub-
18 section (a), the amount determined under this subsection
19 for any month is the product of—

20 “(1) \$100, multiplied by

21 “(2) the number of persons who were share-
22 holders in the S corporation during any part of the
23 taxable year.

24 “(c) ASSESSMENT OF PENALTY.—The penalty im-
25 posed by subsection (a) shall be assessed against the S
26 corporation.

1 “(d) DEFICIENCY PROCEDURES NOT TO APPLY.—
2 Subchapter B of chapter 63 (relating to deficiency proce-
3 dures for income, estate, gift, and certain excise taxes)
4 shall not apply in respect of the assessment or collection
5 of any penalty imposed by subsection (a).”.

6 (b) CLERICAL AMENDMENT.—The table of sections
7 for part I of subchapter B of chapter 68 is amended by
8 adding at the end the following new item:

 “Sec. 6699. Failure to file S corporation return.”.

9 (c) EFFECTIVE DATE.—The amendments made by
10 this section shall apply to returns required to be filed after
11 the date of the enactment of this Act.

12 **SEC. 303. INCREASE IN INFORMATION RETURN PENALTIES.**

13 (a) FAILURE TO FILE CORRECT INFORMATION RE-
14 TURNS.—

15 (1) IN GENERAL.—Subsections (a)(1),
16 (b)(1)(A), and (b)(2)(A) of section 6721 are each
17 amended by striking “\$50” and inserting “\$100”.

18 (2) AGGREGATE ANNUAL LIMITATION.—Sub-
19 sections (a)(1), (d)(1)(A), and (e)(3)(A) of section
20 6721 are each amended by striking “\$250,000” and
21 inserting “\$600,000”.

22 (b) REDUCTION WHERE CORRECTION WITHIN 30
23 DAYS.—

1 (1) IN GENERAL.—Subparagraph (A) of section
2 6721(b)(1) is amended by striking “\$15” and insert-
3 ing “\$25”.

4 (2) AGGREGATE ANNUAL LIMITATION.—Sub-
5 sections (b)(1)(B) and (d)(1)(B) of section 6721 are
6 each amended by striking “\$75,000” and inserting
7 “\$200,000”.

8 (c) REDUCTION WHERE CORRECTION ON OR BEFORE
9 AUGUST 1.—

10 (1) IN GENERAL.—Subparagraph (A) of section
11 6721(b)(2) is amended by striking “\$30” and insert-
12 ing “\$60”.

13 (2) AGGREGATE ANNUAL LIMITATION.—Sub-
14 sections (b)(2)(B) and (d)(1)(C) of section 6721 are
15 each amended by striking “\$150,000” and inserting
16 “\$400,000”.

17 (d) AGGREGATE ANNUAL LIMITATIONS FOR PER-
18 SONS WITH GROSS RECEIPTS OF NOT MORE THAN
19 \$5,000,000.—Paragraph (1) of section 6721(d) is amend-
20 ed—

21 (1) by striking “\$100,000” in subparagraph
22 (A) and inserting “\$250,000”,

23 (2) by striking “\$25,000” in subparagraph (B)
24 and inserting “\$75,000”, and

1 (3) by striking “\$50,000” in subparagraph (C)
2 and inserting “\$150,000”.

3 (e) PENALTY IN CASE OF INTENTIONAL DIS-
4 REGARD.—Paragraph (2) of section 6721(e) is amended
5 by striking “\$100” and inserting “\$250”.

6 (f) FAILURE TO FURNISH CORRECT PAYEE STATE-
7 MENTS.—

8 (1) IN GENERAL.—Subsection (a) of section
9 6722 is amended by striking “\$50” and inserting
10 “\$100”.

11 (2) AGGREGATE ANNUAL LIMITATION.—Sub-
12 sections (a) and (c)(2)(A) of section 6722 are each
13 amended by striking “\$100,000” and inserting
14 “\$600,000”.

15 (3) PENALTY IN CASE OF INTENTIONAL DIS-
16 REGARD.—Paragraph (1) of section 6722(c) is
17 amended by striking “\$100” and inserting “\$250”.

18 (g) FAILURE TO COMPLY WITH OTHER INFORMA-
19 TION REPORTING REQUIREMENTS.—Section 6723 is
20 amended—

21 (1) by striking “\$50” and inserting “\$100”,
22 and

23 (2) by striking “\$100,000” and inserting
24 “\$600,000”.

1 (h) EFFECTIVE DATE.—The amendments made by
2 this section shall apply with respect to information returns
3 required to be filed on or after January 1, 2008.

4 **SEC. 304. INCREASE IN MINIMUM PENALTY ON FAILURE TO**
5 **FILE A RETURN OF TAX.**

6 (a) IN GENERAL.—Subsection (a) of section 6651 is
7 amended by striking “\$100” in the last sentence and in-
8 serting “\$225”.

9 (b) EFFECTIVE DATE.—The amendment made by
10 this section shall apply to returns the due date for the
11 filing of which (including extensions) is after December
12 31, 2007.