

103D CONGRESS
1ST SESSION

S. 467

To amend the Internal Revenue Code of 1986 to provide tax relief for certain disaster victims, and for other purposes.

IN THE SENATE OF THE UNITED STATES

FEBRUARY 25 (legislative day, JANUARY 5), 1993

Mr. MACK (for himself, Mr. GRAHAM, Mr. INOUE, Mr. AKAKA, Mr. BREAU, and Mr. JOHNSTON) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to provide tax relief for certain disaster victims, and for other purposes.

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

3 **SECTION 1. SHORT TITLE; AMENDMENTS OF 1986 CODE.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Natural Disaster Tax Relief Act of 1993”.

6 (b) AMENDMENT OF 1986 CODE.—Except as other-
7 wise expressly provided, whenever in this Act an amend-
8 ment or repeal is expressed in terms of an amendment
9 to, or repeal of, a section or other provision, the reference

1 shall be considered to be made to a section or other provi-
2 sion of the Internal Revenue Code of 1986.

3 **SEC. 2. DISTRIBUTIONS FROM CERTAIN PLANS MAY BE**
4 **USED WITHOUT PENALTY TO REPLACE**
5 **HOMES.**

6 (a) IN GENERAL.—No additional tax shall be im-
7 posed under section 72(t) of the Internal Revenue Code
8 of 1986 on any distribution described in subsection (b)
9 to the extent such distribution is used, within 60 days of
10 the distribution, to pay qualified acquisition costs with
11 respect to a principal residence of an eligible individual.

12 (b) DISTRIBUTIONS.—Subsection (a) shall apply to
13 distributions—

14 (1) from an individual retirement plan, or

15 (2) from amounts attributable to employer con-
16 tributions made pursuant to elective deferrals de-
17 scribed in subparagraph (A) or (C) of section
18 402(g)(3) of the Internal Revenue Code of 1986 or
19 section 501(c)(18)(D)(iii) of such Code.

20 (c) DEFINITIONS AND SPECIAL RULES.—

21 (1) ELIGIBLE INDIVIDUAL.—The term “eligible
22 individual” means an individual—

23 (A) who receives a distribution described in
24 subsection (b), or who is the spouse, child, or
25 grandchild of such individual, and

1 (B) whose principal residence was de-
2 stroyed or substantially damaged by Hurricane
3 Andrew, Hurricane Iniki, or Typhoon Omar.

4 (2) QUALIFIED ACQUISITION COSTS.—The term
5 “qualified acquisition costs” means the costs of ac-
6 quiring, constructing, or reconstructing a residence.
7 Such term includes any usual or reasonable settle-
8 ment, financing, or other closing costs.

9 (3) PRINCIPAL RESIDENCE.—The term “prin-
10 cipal residence” has the same meaning as when used
11 in section 1034 of such Code.

12 (4) DISTRIBUTIONS ALLOWED.—A distribution
13 to which subsection (a) applies shall be treated as a
14 distribution allowed under section 401(k)(2)(B)(i) or
15 403(b)(11) of such Code.

16 (5) TRANSITION.—In the case of any distribu-
17 tion before the date of the enactment of this Act,
18 qualified acquisition costs paid within 90 days of
19 such date shall be treated as paid within 60 days of
20 the distribution.

21 (d) EFFECTIVE DATE.—This section shall apply to
22 distributions after July 31, 1992.

1 **SEC. 3. SPECIAL RULE FOR INCLUSION OF CROP PRO-**
2 **CEEDS OF CERTAIN DISASTER VICTIMS.**

3 (a) IN GENERAL.—If, for the taxpayer’s taxable year
4 which includes the designation date described in sub-
5 section (b), the taxpayer has income derived from the sale
6 or exchange of crops grown in a qualified disaster area,
7 the taxpayer may elect to include such income for the tax-
8 able year following the taxable year in which such sale or
9 exchange occurs.

10 (b) QUALIFIED DISASTER AREA.—For purposes of
11 subsection (a), the term “qualified disaster area” means
12 an area designated by the President of the United States
13 to warrant assistance by the Federal Government under
14 the Robert T. Stafford Disaster Relief and Emergency As-
15 sistance Act by reason of Hurricane Andrew, Hurricane
16 Iniki, or Typhoon Omar.

17 (c) LIMITATION.—Subsection (a) shall apply only to
18 a taxpayer whose principal trade or business is farming
19 (within the meaning of section 6420(c)(3) of the Internal
20 Revenue Code of 1986).

21 (d) SPECIAL RULES FOR SELF-EMPLOYMENT TAX.—
22 If, for any taxable year, a taxpayer includes in gross in-
23 come any amounts which, but for subsection (a), would
24 have been included in gross income for the preceding tax-
25 able year, then the applicable contribution base for pur-

1 poses of section 1402(b) of such Code for the taxable year
2 of inclusion shall be increased by the lesser of—

3 (1) the applicable contribution base for the pre-
4 ceding taxable year, reduced by the self-employment
5 income of the taxpayer for the preceding taxable
6 year, or

7 (2) the amounts so included in gross income for
8 the taxable year of inclusion.

9 (e) EFFECTIVE DATE.—The provisions of this section
10 shall apply to taxable years ending after December 31,
11 1991.

12 **SEC. 4. MODIFICATION OF INVOLUNTARY CONVERSION**
13 **RULES FOR CERTAIN DISASTER-RELATED**
14 **CONVERSIONS.**

15 (a) IN GENERAL.—Section 1033 (relating to involun-
16 tary conversions) is amended by redesignating subsection
17 (h) as subsection (i) and by inserting after subsection (g)
18 the following new subsection:

19 “(h) SPECIAL RULES FOR PRINCIPAL RESIDENCES
20 DAMAGED BY PRESIDENTIALLY DECLARED DISAS-
21 TERS.—

22 “(1) IN GENERAL.—If the taxpayer’s principal
23 residence or any of its contents is compulsorily or in-
24 voluntarily converted as a result of a Presidentially
25 declared disaster—

1 “(A) TREATMENT OF INSURANCE PRO-
2 CEEDS.—

3 “(i) EXCLUSION FOR UNSCHEDULED
4 PERSONAL PROPERTY.—No gain shall be
5 recognized by reason of the receipt of any
6 insurance proceeds for personal property
7 which was part of such contents and which
8 was not scheduled property for purposes of
9 such insurance.

10 “(ii) OTHER PROCEEDS TREATED AS
11 COMMON FUND.—In case of any insurance
12 proceeds (not described in clause (i)) for
13 such residence or contents—

14 “(I) such proceeds shall be treat-
15 ed as received for the conversion of a
16 single item of property, and

17 “(II) any property which is simi-
18 lar or related in service or use to the
19 residence so converted (or contents
20 thereof) shall be treated for purposes
21 of subsection (a)(2) as property simi-
22 lar or related in service or use to such
23 single item of property.

24 “(B) EXTENSION OF REPLACEMENT PE-
25 RIOD.—Subsection (a)(2)(B) shall be applied

1 with respect to any property so converted by
2 substituting ‘4 years’ for ‘2 years’.

3 “(2) PRESIDENTIALLY DECLARED DISASTER.—
4 For purposes of this subsection, the term ‘Presi-
5 dentially declared disaster’ means any disaster
6 which, with respect to the area in which the resi-
7 dence is located, resulted in a subsequent determina-
8 tion by the President that such area warrants assist-
9 ance by the Federal Government under the Robert
10 T. Stafford Disaster Relief and Emergency Assist-
11 ance Act.

12 “(3) PRINCIPAL RESIDENCE.—For purposes of
13 this subsection, the term ‘principal residence’ has
14 the same meaning as when used in section 1034, ex-
15 cept that no ownership requirement shall be im-
16 posed.”.

17 (b) EFFECTIVE DATE.—The amendment made by
18 subsection (a) shall apply to property compulsorily or in-
19 voluntarily converted as a result of disasters for which the
20 determination referred to in section 1033(h)(2) of the In-
21 ternal Revenue Code of 1986 (as added by this section)
22 is made on or after September 1, 1991, and to taxable
23 years ending on or after such date.

1 **SEC. 5. APPLICATION OF LOW-INCOME HOUSING CREDITS**
2 **AND MORTGAGE REVENUE BONDS TO NATU-**
3 **RAL DISASTER AREAS.**

4 (a) LOW-INCOME HOUSING CREDITS.—

5 (1) WAIVER OF 24-MONTH COMPLETION RE-
6 QUIREMENT.—In the case of any qualified building
7 located in a qualified disaster area with respect to
8 which a low-income housing allocation is made be-
9 fore the occurrence of the natural disaster, the Sec-
10 retary may extend the period described in section
11 42(h)(1)(E)(i) of the Internal Revenue Code of 1986
12 to not later than the close of the fourth calendar
13 year following the calendar year in which the alloca-
14 tion is made.

15 (2) WAIVER OF WRITTEN INCOME VERIFICA-
16 TION REQUIREMENT.—

17 (A) IN GENERAL.—With respect to any oc-
18 cupant of a low-income unit in any qualified
19 low-income building located in a qualified disas-
20 ter area or any such occupant in any other
21 qualified low-income building who immediately
22 prior to such occupation resided in a qualified
23 disaster area, the Secretary may waive the re-
24 quirements of paragraphs (1) and (2) of section
25 42(l) of such Code regarding occupant income

1 information until such information is reason-
2 ably obtainable.

3 (B) DISCOVERY OF INELIGIBILITY.—If
4 upon receipt of occupant income information
5 the income of any occupant of a low-income
6 unit in the building is determined to exceed the
7 income limitation under section 42(g) of such
8 Code, such unit shall continue to be treated as
9 a low-income unit if no subsequently available
10 residential rental unit in the building is occu-
11 pied by a new resident whose income exceeds
12 such income limitation and such occupant va-
13 cates the unit upon the later of the lease termi-
14 nation or 30 days after receipt of such informa-
15 tion by the Secretary.

16 (3) WAIVER OF TENANT INCOME LIMITA-
17 TIONS.—With respect to any tenant occupying a
18 unit in a qualified low-income housing project lo-
19 cated in a qualified disaster area who relocates to
20 any other unit of a qualified low-income housing
21 project, the Secretary may waive the income limita-
22 tion of subparagraph (A) or (B) of section 42(g)(1)
23 of such Code if the income of such tenant does not
24 exceed 140 percent of such income limitation.

1 (4) WAIVER OF 6-MONTH RESIDENCE REQUIRE-
2 MENT.—With respect to any unit in a building lo-
3 cated in a qualified disaster area or any unit occu-
4 pied by individuals who immediately prior to such
5 occupation resided in a qualified disaster area, the
6 Secretary may waive the requirement of clause (i) of
7 section 42(i)(3)(B) of such Code and allow the use
8 of such unit on a transient basis.

9 (5) WAIVER ON 10-YEAR RULE FOR EXISTING
10 BUILDINGS.—The Secretary may waive the require-
11 ment of subparagraph (B)(ii) of section 42(d)(2) of
12 such Code with respect to any building located in a
13 qualified disaster area.

14 (6) WAIVER OF THE NATIONAL POOL ALLOCA-
15 TION.—The Secretary may modify the formula de-
16 scribed in the penultimate sentence of section
17 42(h)(3)(D)(iii) of such Code for any calendar year
18 with respect to the allocation to any qualified State
19 in which is located a qualified disaster area to in-
20 crease such allocation to take into account the
21 effects of such disaster.

22 (7) EFFECTIVE DATE.—This subsection shall
23 take effect on July 1, 1992.

24 (b) WAIVER OF DOLLAR LIMITATION FOR HOME IM-
25 PROVEMENT LOANS FOR RESIDENCES IN QUALIFIED DIS-

1 ASTER AREAS.—The \$15,000 limitation specified in the
2 last sentence of section 143(k)(4) of such Code shall not
3 apply to any loan for residences located in a qualified dis-
4 aster area if such loan is made on or after June 30, 1992,
5 and before January 1, 1994.

6 (c) QUALIFIED DISASTER AREA.—For purposes of
7 this section, the term “qualified disaster area” means an
8 area designated by the President of the United States to
9 warrant assistance by the Federal Government under the
10 Robert T. Stafford Disaster Relief and Emergency Assist-
11 ance Act by reason of Hurricane Andrew, Hurricane Iniki,
12 or Typhoon Omar.

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