

106TH CONGRESS  
2D SESSION

# H. R. 4543

To amend the Internal Revenue Code of 1986 to provide relief for payment of asbestos-related claims.

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## IN THE HOUSE OF REPRESENTATIVES

MAY 25, 2000

Mr. HYDE (for himself, Mr. CONYERS, Mr. CAMP, Mr. CARDIN, Mr. FOLEY, Mr. LEWIS of Georgia, Mr. SAM JOHNSON of Texas, Mrs. THURMAN, Mr. CANADY of Florida, Mr. SCOTT, Mr. HUTCHINSON, and Ms. JACKSON-LEE of Texas) introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to provide relief for payment of asbestos-related claims.

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. EXEMPTION FOR ASBESTOS-RELATED SETTLE-**  
4 **MENT FUNDS.**

5 (a) EXEMPTION FOR ASBESTOS-RELATED SETTLE-  
6 MENT FUNDS.—Subsection (b) of section 468B of the In-  
7 ternal Revenue Code of 1986 is amended by adding at the  
8 end the following new paragraph:

1           “(6) EXEMPTION FROM TAX FOR ASBESTOS-RE-  
2           LATED DESIGNATED SETTLEMENT FUNDS.—Not-  
3           withstanding paragraph (1), no tax shall be imposed  
4           under this section or any other provision of this sub-  
5           title on any designated settlement fund established  
6           for the principal purpose of resolving and satisfying  
7           present and future claims relating to asbestos.”

8           (b) CONFORMING AMENDMENTS.—

9           (1) Paragraph (1) of section 468B(b) is amend-  
10          ed by striking “There” and inserting “Except as  
11          provided in paragraph (6), there”.

12          (2) Subsection (g) of section 468B is amended  
13          by inserting “(other than subsection (b)(6))” after  
14          “Nothing in any provision of law”.

15          (c) EFFECTIVE DATE.—The amendments made by  
16          this section shall apply to taxable years ending after the  
17          date of enactment of this Act.

18       **SEC. 2. MODIFY TREATMENT OF ASBESTOS-RELATED NET**  
19                               **OPERATING LOSSES.**

20          (a) ASBESTOS-RELATED NET OPERATING LOSSES.—  
21          Subsection (f) of section 172 of the Internal Revenue Code  
22          of 1986 is amended by redesignating paragraphs (4), (5),  
23          and (6) as paragraphs (5), (6), and (7), respectively, and  
24          by inserting after paragraph (3) the following new para-  
25          graph:

1           “(4) SPECIAL RULES FOR ASBESTOS LIABILITY  
2           LOSSES.—

3           “(A) IN GENERAL.—At the election of the  
4           taxpayer, the portion of any specified liability  
5           loss that is attributable to asbestos may, for  
6           purposes of subsection (b)(1)(C), be carried  
7           back to the taxable year in which the taxpayer,  
8           including any predecessor corporation, was first  
9           involved in the production or distribution of  
10          products containing asbestos and each subse-  
11          quent taxable year.

12          “(B) COORDINATION WITH CREDITS.—If a  
13          deduction is allowable for any taxable year by  
14          reason of a carryback described in subpara-  
15          graph (A)—

16                 “(i) the credits allowable under part  
17                 IV (other than subpart C) of subchapter A  
18                 shall be determined without regard to such  
19                 deduction, and

20                 “(ii) the amount of taxable income  
21                 taken into account with respect to the  
22                 carryback under subsection (b)(2) for such  
23                 taxable year shall be reduced by an  
24                 amount equal to—

1                   “(I) the increase in the amount  
2                   of such credits allowable for such tax-  
3                   able year solely by reason of clause  
4                   (i), divided by

5                   “(II) the maximum rate of tax  
6                   under section 1 or 11 (whichever is  
7                   applicable) for such taxable year.

8                   “(C) CARRYFORWARDS TAKEN INTO AC-  
9                   COUNT BEFORE ASBESTOS-RELATED DEDUC-  
10                  TIONS.—For purposes of this section—

11                  “(i) in determining whether a net op-  
12                  erating loss carryforward may be carried  
13                  under subsection (b)(2) to a taxable year,  
14                  taxable income for such year shall be de-  
15                  termined without regard to the deductions  
16                  referred to in paragraph (1)(A) with re-  
17                  spect to asbestos, and

18                  “(ii) if there is a net operating loss  
19                  for such year after taking into account  
20                  such carryforwards and deductions, the  
21                  portion of such loss attributable to such  
22                  deductions shall be treated as a specified  
23                  liability loss that is attributable to asbes-  
24                  tos.

1           “(D) LIMITATION.—The amount of reduc-  
2           tion in income tax liability arising from the  
3           election described in subparagraph (A) that ex-  
4           ceeds the amount of reduction in income tax li-  
5           ability that would have resulted if the taxpayer  
6           utilized the 10-year carryback period under sub-  
7           section (b)(1)(C) shall be devoted by the tax-  
8           payer solely to asbestos claimant compensation  
9           and related costs, through a designated settle-  
10          ment fund or otherwise.

11          “(E) CONSOLIDATED GROUPS.—For pur-  
12          poses of this paragraph, all members of an af-  
13          filiated group of corporations that join in the  
14          filing of a consolidated return pursuant to sec-  
15          tion 1501 (or a predecessor section) shall be  
16          treated as 1 corporation.

17          “(F) PREDECESSOR CORPORATION.—For  
18          purposes of this paragraph, a predecessor cor-  
19          poration shall include a corporation that trans-  
20          ferred or distributed assets to the taxpayer in  
21          a transaction to which section 381(a) applies or  
22          that distributed the stock of the taxpayer in a  
23          transaction to which section 355 applies.”

1           (b) CONFORMING AMENDMENT.—Paragraph (7) of  
2 section 172(f), as redesignated by this section, is amended  
3 by striking “10-year”.

4           (c) EFFECTIVE DATE.—The amendments made by  
5 this section shall apply to taxable years ending after the  
6 date of enactment of this Act.

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