

110TH CONGRESS
1ST SESSION

H. R. 3987

To provide emergency tax relief for persons affected by California wildfires
in October of 2007.

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 29, 2007

Mr. BACA (for himself, Mrs. NAPOLITANO, Ms. HARMAN, Mr. CUELLAR, Mr. FORTUÑO, Mr. FILNER, Mr. AL GREEN of Texas, and Mr. NUNES) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To provide emergency tax relief for persons affected by
California wildfires in October of 2007.

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 “California Wildfire Tax
5 Relief Act of 2007”.

6 **SEC. 2. FINDINGS.**

7 Congress finds the following:

8 (1) On October 21, 2007, and the days that fol-
9 lowed, wildfires exploded in San Bernardino, River-

1 side, San Diego, Los Angeles, Ventura, Santa Bar-
2 bara, and Orange Counties.

3 (2) More than 753 square miles of land were
4 consumed by the relentless flames that were further
5 ignited by Santa Ana winds.

6 (3) 2,205 structures were destroyed.

7 (4) 14 lives were lost and more than 600 people
8 were injured.

9 (5) The projected damages of property exceed
10 \$1,000,000,000.

11 (6) The President declared portions of Cali-
12 fornia a natural disaster area and the Governor of
13 California declared a state of emergency.

14 **TITLE I—GENERAL TAX RELIEF**
15 **PROVISIONS RELATED TO**
16 **CALIFORNIA WILDFIRES OF**
17 **OCTOBER 2007**

18 **SEC. 101. EXTENSION OF REPLACEMENT PERIOD FOR NON-**
19 **RECOGNITION OF GAIN RELATED TO CALI-**
20 **FORNIA WILDFIRES OF OCTOBER 2007.**

21 Clause (i) of section 1033(a)(2)(B) of the Internal
22 Revenue Code of 1986 shall be applied by substituting “5
23 years” for “2 years” with respect to property which—

24 (1) is located in an area determined by the
25 President to warrant individual or individual and

1 public assistance from the Federal Government
2 under the Robert T. Stafford Disaster Relief and
3 Emergency Assistance Act by reason of the wildfires
4 which burned in California during October 2007,
5 and

6 (2) is compulsorily or involuntarily converted as
7 a result of such wildfire,
8 but only if substantially all of the use of the replacement
9 property is located in any such area.

10 **SEC. 102. SUSPENSION OF LIMITATIONS ON CHARITABLE**
11 **CONTRIBUTIONS FOR RELIEF EFFORTS RE-**
12 **LATED TO CALIFORNIA WILDFIRES OF OCTO-**
13 **BER 2007.**

14 (a) IN GENERAL.—Except as otherwise provided in
15 subsection (b), qualified disaster contributions shall not be
16 taken into account for purposes of subsections (b) and (d)
17 of section 170 of the Internal Revenue Code of 1986.

18 (b) TREATMENT OF EXCESS CONTRIBUTIONS.—For
19 purposes of section 170 of such Code—

20 (1) INDIVIDUALS.—In the case of an indi-
21 vidual—

22 (A) LIMITATION.—Any qualified disaster
23 contribution shall be allowed only to the extent
24 that the aggregate of such contributions does
25 not exceed the excess of the taxpayer's con-

1 tribution base (as defined in paragraph (1) of
2 section 170(b) of such Code) over the amount
3 of all other charitable contributions allowed
4 under such paragraph.

5 (B) CARRYOVER.—If the aggregate
6 amount of qualified disaster contributions made
7 in the contribution year (within the meaning of
8 section 170(d)(1) of such Code) exceeds the
9 limitation of subparagraph (A), such excess
10 shall be added to the excess described in the
11 portion of subparagraph (A) of such section
12 which precedes clause (i) thereof for purposes
13 of applying such section.

14 (2) CORPORATIONS.—In the case of a corpora-
15 tion—

16 (A) LIMITATION.—Any qualified disaster
17 contribution shall be allowed only to the extent
18 that the aggregate of such contributions does
19 not exceed the excess of the taxpayer's taxable
20 income (as determined under paragraph (2) of
21 section 170(b) of such Code) over the amount
22 of all other charitable contributions allowed
23 under such paragraph.

1 (B) CARRYOVER.—Rules similar to the
2 rules of paragraph (1)(B) shall apply for pur-
3 poses of this paragraph.

4 (c) EXCEPTION TO OVERALL LIMITATION ON
5 ITEMIZED DEDUCTIONS.—So much of any deduction al-
6 lowed under section 170 of such Code as does not exceed
7 the qualified disaster contributions made during the tax-
8 able year shall not be treated as an itemized deduction
9 for purposes of section 68 of such Code.

10 (d) QUALIFIED DISASTER CONTRIBUTIONS.—For
11 purposes of this section, the term “qualified disaster con-
12 tribution” means any charitable contribution (as defined
13 in section 170(c) of such Code)—

14 (1) made during the period beginning on Octo-
15 ber 21, 2007, and ending on January 1, 2008, in
16 cash to an organization described in section
17 170(b)(1)(A) of such Code (other than an organiza-
18 tion described in section 509(a)(3) of such Code) for
19 relief efforts related to the wildfires which burned in
20 California during October 2007, and

21 (2) with respect to which the taxpayer has
22 elected the application of this section.

23 In the case of a partnership or S corporation, the election
24 under paragraph (2) shall be made separately by each
25 partner or shareholder.

1 **SEC. 103. EXCLUSION OF CERTAIN CANCELLATIONS OF IN-**
2 **DEBTEDNESS RELATED TO CALIFORNIA**
3 **WILDFIRES OF OCTOBER 2007.**

4 (a) IN GENERAL.—For purposes of the Internal Rev-
5 enue Code of 1986, gross income shall not include any
6 amount which (but for this section) would be includible
7 in gross income by reason of the discharge (in whole or
8 in part) of qualified nonbusiness debt of a qualified indi-
9 vidual by an applicable entity (as defined in section
10 6050P(e)).

11 (b) QUALIFIED NONBUSINESS DEBT.—For purposes
12 of this section, the term “qualified nonbusiness debt”
13 means any indebtedness other than indebtedness incurred
14 in connection with a trade or business.

15 (c) QUALIFIED INDIVIDUAL.—For purposes of this
16 section, the term “qualified individual” means any natural
17 person who was a resident (as of October 20, 2007) of,
18 or who owned real property (as of the date of such dis-
19 charge) in, any area which is determined by the President
20 to warrant individual or individual and public assistance
21 from the Federal Government under the Robert T. Staf-
22 ford Disaster Relief and Emergency Assistance Act by
23 reason of the wildfires which burned in California during
24 October 2007.

25 (d) EXCEPTION FOR REAL PROPERTY OUTSIDE DIS-
26 ASTER AREA.—Subsection (a) shall not apply to any dis-

1 charge of indebtedness to the extent that real property
2 constituting security for such indebtedness is located out-
3 side of the area described in subsection (c).

4 (e) DENIAL OF DOUBLE BENEFIT.—The amount ex-
5 cluded from gross income under subsection (a) shall be
6 applied to reduce the tax attributes of the taxpayer as pro-
7 vided in section 108(b) of the Internal Revenue Code of
8 1986.

9 (f) APPLICATION.—This section shall not apply to
10 discharges after December 31, 2008.

11 **SEC. 104. SPECIAL RULES RELATED TO CALIFORNIA**
12 **WILDFIRES OF OCTOBER 2007 FOR MORT-**
13 **GAGE REVENUE BONDS.**

14 (a) IN GENERAL.—In the case of financing provided
15 with respect to a qualified California Wildfires of October
16 2007 recovery residence, subsection (d) of section 143 of
17 the Internal Revenue Code of 1986 shall be applied as if
18 such residence were a targeted area residence.

19 (b) QUALIFIED CALIFORNIA WILDFIRES OF OCTO-
20 BER 2007 RECOVERY RESIDENCE.—For purposes of this
21 section, the term “qualified California Wildfires of Octo-
22 ber 2007 recovery residence” means any residence if such
23 residence is located in an area which is determined by the
24 President to warrant individual or individual and public
25 assistance from the Federal Government under the Robert

1 T. Stafford Disaster Relief and Emergency Assistance Act
2 by reason of the wildfires which burned in California dur-
3 ing October 2007.

4 (c) APPLICATION.—Subsection (a) shall not apply to
5 financing provided after December 31, 2009.

6 **SEC. 105. SUSPENSION OF CERTAIN LIMITATIONS ON PER-**
7 **SONAL CASUALTY LOSSES RELATED TO CALI-**
8 **FORNIA WILDFIRES OF OCTOBER 2007.**

9 Paragraphs (1) and (2)(A) of section 165(h) of the
10 Internal Revenue Code of 1986 shall not apply to losses
11 described in section 165(c)(3) of such Code which are at-
12 tributable to the wildfires which burned in California dur-
13 ing October 2007. In the case of any other losses, section
14 165(h)(2)(A) of such Code shall be applied without regard
15 to the losses referred to in the preceding sentence.

16 **SEC. 106. ADDITIONAL EXEMPTION FOR HOUSING DIS-**
17 **PLACED INDIVIDUALS OF CALIFORNIA**
18 **WILDFIRES OF OCTOBER 2007.**

19 (a) IN GENERAL.—In the case of taxable years of a
20 natural person beginning in 2007 and 2008, for purposes
21 of the Internal Revenue Code of 1986, taxable income
22 shall be reduced by \$500 for each California Wildfires of
23 October 2007 displaced individual of the taxpayer for the
24 taxable year.

25 (b) LIMITATIONS.—

1 (1) DOLLAR LIMITATION.—The reduction under
2 subsection (a) shall not exceed \$2,000, reduced by
3 the amount of the reduction under this section for
4 all previous taxable years.

5 (2) INDIVIDUALS TAKEN INTO ACCOUNT ONLY
6 ONCE.—An individual shall not be taken into ac-
7 count under subsection (a) if such individual was
8 taken into account under such subsection by the tax-
9 payer in any prior taxable year.

10 (c) CALIFORNIA WILDFIRES OF OCTOBER 2007 DIS-
11 PLACED INDIVIDUAL.—For purposes of this subsection,
12 the term “displaced individual from California Wildfires
13 of October 2007” means, with respect to any taxpayer for
14 any taxable year, a natural person who—

15 (1) was (as of October 20, 2007) a resident of
16 any area which is determined by the President to
17 warrant individual or individual and public assist-
18 ance from the Federal Government under the Robert
19 T. Stafford Disaster Relief and Emergency Assist-
20 ance Act by reason of the wildfires which burned in
21 California during October 2007,

22 (2) is displaced from the person’s residence lo-
23 cated in the area described in paragraph (1), and

24 (3) is provided housing free of charge by the
25 taxpayer in the principal residence of the taxpayer

1 for a period of 60 consecutive days which ends in
2 such taxable year.

3 Such term shall not include the spouse or any dependent
4 of the taxpayer.

5 **SEC. 107. SPECIAL RULE RELATED TO CALIFORNIA**
6 **WILDFIRES OF OCTOBER 2007 FOR DETER-**
7 **MINING EARNED INCOME.**

8 (a) **IN GENERAL.**—In the case of a qualified indi-
9 vidual, if the earned income of the taxpayer for the taxable
10 year of such taxpayer which includes October 21, 2007,
11 is less than the earned income which is attributable to the
12 taxpayer for the preceding taxable year, the credits al-
13 lowed under sections 24(d) and 32 of the Internal Revenue
14 Code of 1986 may, at the election of the taxpayer, be de-
15 termined by substituting—

16 (1) such earned income for the preceding tax-
17 able year, for

18 (2) such earned income for the taxable year
19 which includes October 21, 2007.

20 (b) **QUALIFIED INDIVIDUAL.**—For purposes of this
21 section, the term “qualified individual” means any indi-
22 vidual who was (as of October 21, 2007) a resident of
23 any area which is determined by the President to warrant
24 individual or individual and public assistance from the
25 Federal Government under the Robert T. Stafford Dis-

1 aster Relief and Emergency Assistance Act by reason of
2 the wildfires which burned in California during October
3 2007.

4 (c) EARNED INCOME.—For purposes of this section,
5 the term “earned income” has the meaning given such
6 term under section 32(c) of such Code.

7 (d) SPECIAL RULES.—

8 (1) APPLICATION TO JOINT RETURNS.—For
9 purpose of subsection (a), in the case of a joint re-
10 turn for a taxable year which includes October 21,
11 2007—

12 (A) such subsection shall apply if either
13 spouse is a qualified individual,

14 (B) the earned income which is attrib-
15 utable to the taxpayer for the preceding taxable
16 year shall be the sum of the earned income
17 which is attributable to each spouse for such
18 preceding taxable year, and

19 (C) the substitution described in such sub-
20 section shall apply only with respect to earned
21 income which is attributable to a spouse who is
22 a qualified individual.

23 (2) UNIFORM APPLICATION OF ELECTION.—
24 Any election made under subsection (a) shall apply

1 with respect to both section 24(d) and section 32 of
2 such Code.

3 (3) ERRORS TREATED AS MATHEMATICAL
4 ERROR.—For purposes of section 6213 of such
5 Code, an incorrect use on a return of earned income
6 pursuant to subsection (a) shall be treated as a
7 mathematical or clerical error.

8 (4) NO EFFECT ON DETERMINATION OF GROSS
9 INCOME.—For purposes of the Internal Revenue
10 Code of 1986, gross income shall be determined
11 without regard to any substitution under subsection
12 (a).

13 **SEC. 108. SECRETARIAL AUTHORITY TO MAKE ADJUST-**
14 **MENTS REGARDING TAXPAYER AND DEPEND-**
15 **ENCY STATUS RELATED TO CALIFORNIA**
16 **WILDFIRES OF OCTOBER 2007.**

17 With respect to taxable years beginning in 2007 or
18 2008, the Secretary of the Treasury, or his delegate, may
19 make such adjustments in the application of the internal
20 revenue laws as may be necessary to ensure that taxpayers
21 do not lose dependency exemptions or child credits or ex-
22 perience a change of filing status by reason of temporary
23 relocations after the wildfires which burned in California
24 during October 2007 or by reason of the receipt of wildfire
25 relief. Any adjustments made under the preceding sen-

1 tence shall ensure that an individual is not taken into ac-
 2 count by more than one taxpayer with respect to the same
 3 tax benefit.

4 **TITLE II—PENALTY FREE USE**
 5 **OF RETIREMENT FUNDS RE-**
 6 **LATED TO CALIFORNIA**
 7 **WILDFIRES OF OCTOBER 2007**

8 **SEC. 201. PENALTY FREE WITHDRAWALS FROM RETIRE-**
 9 **MENT PLANS RELATED TO CALIFORNIA**
 10 **WILDFIRES OF OCTOBER 2007.**

11 (a) IN GENERAL.—Paragraph (2) of section 72(t) of
 12 the Internal Revenue Code of 1986 (relating to 10-percent
 13 additional tax on early distributions from qualified retire-
 14 ment plans) is amended by adding at the end the following
 15 new subparagraph:

16 “(H) DISTRIBUTIONS FROM RETIREMENT
 17 PLANS UPON FEDERAL DECLARATION OF NAT-
 18 URAL DISASTER.—

19 “(i) IN GENERAL.—Any qualified dis-
 20 aster-relief distribution.

21 “(ii) AGGREGATE LIMITATION.—The
 22 aggregate amount of payments or distribu-
 23 tions received by an individual which may
 24 be treated as qualified disaster-relief dis-

1 tributions for any taxable year shall not
2 exceed the excess (if any) of—

3 “(I) \$100,000, over

4 “(II) the aggregate amounts
5 treated as qualified disaster-relief dis-
6 tributions with respect to such indi-
7 vidual for all prior taxable years.

8 “(iii) AMOUNT DISTRIBUTED MAY BE
9 REPAID.—

10 “(I) IN GENERAL.—Any indi-
11 vidual who receives a qualified dis-
12 aster-relief distribution may, at any
13 time during the 3-year period begin-
14 ning on the day after the date on
15 which such distribution was made,
16 make one or more contributions in an
17 aggregate amount not to exceed the
18 amount of such distribution to an eli-
19 gible retirement plan (as defined in
20 section 402(c)(8)(B)) of which such
21 individual is a beneficiary and to
22 which a rollover contribution of such
23 distribution could be made under sec-
24 tion 402(c), 403(a)(4), 403(b)(8), or
25 408(d)(3), as the case may be.

1 “(II) TREATMENT OF REPAY-
2 MENTS FOR DISTRIBUTIONS FROM EL-
3 IGIBLE RETIREMENT PLANS OTHER
4 THAN IRAS.—For purposes of this
5 title, if a contribution is made pursu-
6 ant to subclause (I) with respect to a
7 qualified disaster-relief distribution
8 from an eligible retirement plan (as so
9 defined) other than an individual re-
10 tirement plan, then the taxpayer shall,
11 to the extent of the amount of the
12 contribution, be treated as having re-
13 ceived the qualified disaster-relief dis-
14 tribution in an eligible rollover dis-
15 tribution (as defined in section
16 402(c)(4)) and as having transferred
17 the amount to the eligible retirement
18 plan in a direct trustee to trustee
19 transfer within 60 days of the dis-
20 tribution.

21 “(III) TREATMENT OF REPAY-
22 MENTS FOR DISTRIBUTIONS FROM
23 IRAS.—For purposes of this title, if a
24 contribution is made pursuant to sub-
25 clause (I) with respect to a qualified

1 disaster-relief distribution from an in-
2 dividual retirement plan, then, to the
3 extent of the amount of the contribu-
4 tion, the qualified disaster-relief dis-
5 tribution shall be treated as a dis-
6 tribution described in section
7 408(d)(3) and as having been trans-
8 ferred to the eligible retirement plan
9 in a direct trustee to trustee transfer
10 within 60 days of the distribution.

11 “(IV) APPLICATION TO GOVERN-
12 MENTAL SECTION 457 PLANS.—In de-
13 termining whether any distribution is
14 a qualified disaster-relief distribution
15 for purposes of this clause, an eligible
16 deferred compensation plan (as de-
17 fined in section 457(b)) maintained by
18 an employer described in section
19 457(e)(1)(A) shall be treated as a
20 qualified retirement plan.

21 “(iv) QUALIFIED DISASTER-RELIEF
22 DISTRIBUTION.—For purposes of this sub-
23 paragraph, the term ‘qualified disaster-re-
24 lief distribution’ means any distribution—

1 “(I) to an individual who has
2 sustained a loss as a result of a major
3 disaster declared under section 401 of
4 the Robert T. Stafford Disaster Relief
5 and Emergency Assistance Act by rea-
6 son of the wildfires which burned in
7 California during October 2007 and
8 who has a principal place of abode im-
9 mediately before the declaration in a
10 qualified disaster area, and

11 “(II) which is made during the 1-
12 year period beginning on the date
13 such declaration is made.

14 “(v) QUALIFIED DISASTER AREA.—
15 For purposes of this subparagraph, the
16 term ‘qualified disaster area’ means any
17 area which is determined by the President
18 to warrant individual or individual and
19 public assistance from the Federal Govern-
20 ment under the Robert T. Stafford Dis-
21 aster Relief and Emergency Assistance Act
22 by reason of the wildfires which burned in
23 California during October 2007.”.

24 (b) EXEMPTION OF DISTRIBUTIONS FROM TRUSTEE
25 TO TRUSTEE TRANSFER AND WITHHOLDING RULES.—

1 Paragraph (4) of section 402(c) of such Code (relating
2 to eligible rollover distribution) is amended by striking
3 “and” at the end of subparagraph (B), by striking the
4 period at the end of subparagraph (C) and inserting “,
5 and”, and by inserting at the end the following new sub-
6 paragraph:

7 “(D) any qualified disaster-relief distribu-
8 tion (within the meaning of section
9 72(t)(2)(G)).”.

10 (c) CONFORMING AMENDMENTS.—

11 (1) Section 401(k)(2)(B)(i) of such Code is
12 amended by striking “or” at the end of subclause
13 (IV), by striking “and” at the end of subclause (V)
14 and inserting “or”, and by inserting after subclause
15 (V) the following new subclause:

16 “(VI) the date on which a period referred
17 to in section 72(t)(2)(H)(iii)(II) begins (but
18 only to the extent provided in section
19 72(t)(2)(H)), and”.

20 (2) Section 403(b)(7)(A)(ii) of such Code is
21 amended by inserting “sustains a loss as a result of
22 a major disaster declared under section 401 of the
23 Robert T. Stafford Disaster Relief and Emergency
24 Assistance Act by reason of California Wildfires of

1 October 2007 (but only to the extent provided in
2 section 72(t)(2)(H)),” before “or”.

3 (3) Section 403(b)(11) of such Code is amend-
4 ed by striking “or” at the end of subparagraph (B),
5 by striking the period at the end of subparagraph
6 (C) and inserting “, or”, and by inserting after sub-
7 paragraph (C) the following new subparagraph:

8 “(D) for distributions to which section
9 72(t)(2)(H) applies.”.

10 (d) EFFECTIVE DATE.—The amendments made by
11 this section shall apply to distributions received after Oc-
12 tober 21, 2007.

13 **SEC. 202. INCOME AVERAGING FOR DISASTER-RELIEF DIS-**
14 **TRIBUTIONS RELATED TO CALIFORNIA**
15 **WILDFIRES OF OCTOBER 2007.**

16 (a) IN GENERAL.—In the case of any qualified dis-
17 aster-relief distribution (within the meaning of section
18 72(t)(2)(G) of the Internal Revenue Code of 1986) from
19 a qualified retirement plan (as defined in section 4974(c)
20 of such Code) to a qualified individual, unless the taxpayer
21 elects not to have this section apply for any taxable year,
22 any amount required to be included in gross income for
23 such taxable year shall be so included ratably over the 3-
24 taxable year period beginning with such taxable year.

25 (b) SPECIAL RULES.—

1 (1) APPLICATION TO GOVERNMENTAL SECTION
2 457 PLANS.—In determining whether any distribu-
3 tion is a qualified disaster-relief distribution (as so
4 defined) for purposes of this section, an eligible de-
5 ferred compensation plan (as defined in section
6 457(b) of such Code) maintained by an employer de-
7 scribed in section 457(e)(1)(A) of such Code shall be
8 treated as a qualified retirement plan (as so de-
9 fined).

10 (2) CERTAIN RULES TO APPLY.—Rules similar
11 to the rules of subparagraph (E) of section
12 408A(d)(3) of such Code shall apply for purposes of
13 this section.

14 (c) QUALIFIED INDIVIDUAL.—For purposes of this
15 section, the term “qualified individual” means an indi-
16 vidual who has sustained a loss as a result of the major
17 disaster declared under section 401 of the Robert T. Staf-
18 ford Disaster Relief and Emergency Assistance Act (42
19 U.S.C. 5170) by reason of the wildfires which burned in
20 California during October 2007 and who has a principal
21 place of abode immediately before the declaration in a
22 California wildfires of October 2007 disaster area.

23 (d) CALIFORNIA WILDFIRES OF OCTOBER 2007 DIS-
24 ASTER AREA.—For purposes of this section, the term
25 “California wildfires of October 2007 disaster area”

1 means any area which is determined by the President to
2 warrant individual or individual and public assistance
3 from the Federal Government under the Robert T. Staf-
4 ford Disaster Relief and Emergency Assistance Act by
5 reason of the wildfires which burned in California during
6 October 2007.

7 **SEC. 203. RECONTRIBUTIONS OF WITHDRAWALS FOR HOME**
8 **PURCHASES CANCELLED DUE TO CALI-**
9 **FORNIA WILDFIRES OF OCTOBER 2007.**

10 (a) RECONTRIBUTIONS.—

11 (1) IN GENERAL.—Any individual who received
12 a qualified distribution may, at any time during the
13 6-month period beginning on the day after the dis-
14 aster declaration date, make one or more contribu-
15 tions in an aggregate amount not to exceed the
16 amount of such qualified distribution to an eligible
17 retirement plan (as defined in section 402(c)(8)(B)
18 of the Internal Revenue Code of 1986) of which such
19 individual is a beneficiary and to which a rollover
20 contribution of such distribution could be made
21 under section 402(c), 403(a)(4), 403(b)(8),
22 408(d)(3), or 457(e)(16) of such Code, as the case
23 may be.

24 (2) TREATMENT OF REPAYMENTS.—

1 (A) TREATMENT OF REPAYMENTS FOR
2 DISTRIBUTIONS FROM ELIGIBLE RETIREMENT
3 PLANS OTHER THAN IRAS.—For purposes of
4 the Internal Revenue Code of 1986, if a con-
5 tribution is made pursuant to paragraph (1)
6 with respect to a qualified distribution from an
7 eligible retirement plan (as so defined) other
8 than an individual retirement plan (as defined
9 in section 7701(a)(37) of such Code), then the
10 taxpayer shall, to the extent of the amount of
11 the contribution, be treated as having received
12 the qualified distribution in an eligible rollover
13 distribution (as defined in section 402(c)(4) of
14 such Code) and as having transferred the
15 amount to the eligible retirement plan in a di-
16 rect trustee to trustee transfer within 60 days
17 of the distribution.

18 (B) TREATMENT OF REPAYMENTS FOR
19 DISTRIBUTIONS FROM IRAS.—For purposes of
20 the Internal Revenue Code of 1986, if a con-
21 tribution is made pursuant to paragraph (1)
22 with respect to a qualified distribution from an
23 individual retirement plan (as so defined), then,
24 to the extent of the amount of the contribution,
25 the qualified distribution shall be treated as a

1 distribution described in section 408(d)(3) of
2 such Code and as having been transferred to
3 the eligible retirement plan (as so defined) in a
4 direct trustee to trustee transfer within 60 days
5 of the distribution.

6 (b) DEFINITIONS.—For purposes of this section—

7 (1) QUALIFIED DISTRIBUTION.—The term
8 “qualified distribution” means any distribution—

9 (A) described in section
10 401(k)(2)(B)(i)(IV), 403(b)(7)(A)(ii),
11 403(b)(11)(B), 457(d)(1)(A)(iii), or 72(t)(2)(F)
12 of the Internal Revenue Code of 1986,

13 (B) received after February 28, 2007, and
14 before October 21, 2007, and

15 (C) which was to be used to purchase or
16 construct a principal residence in a California
17 wildfires of October 2007 disaster area, but
18 which was not so purchased or constructed.

19 (2) DISASTER DECLARATION DATE.—The term
20 “disaster declaration date” means the date on which
21 the President designated the area as a disaster area
22 by reason of the wildfires which burned in California
23 during October 2007.

24 (3) CALIFORNIA WILDFIRES OF OCTOBER 2007
25 DISASTER AREA.—The term “California wildfires of

1 October 2007 disaster area” means any area which
2 is determined by the President to warrant individual
3 or individual and public assistance from the Federal
4 Government under the Robert T. Stafford Disaster
5 Relief and Emergency Assistance Act by reason of
6 the wildfires which burned in California during Oc-
7 tober 2007.

8 **SEC. 204. LOANS FROM QUALIFIED PLANS IN CONNECTION**
9 **WITH CALIFORNIA WILDFIRES OF OCTOBER**
10 **2007.**

11 (a) INCREASE IN LIMIT ON LOANS NOT TREATED AS
12 DISTRIBUTIONS.—In the case of any loan from a qualified
13 employer plan (as defined under section 72(p)(4) of the
14 Internal Revenue Code of 1986) to a qualified individual
15 (as defined in section 202(c)) made after the date of en-
16 actment of this Act and before the date which is 1 year
17 after the disaster declaration date (as defined in section
18 203(b)(2))—

19 (1) clause (i) of section 72(p)(2)(A) of such
20 Code shall be applied by substituting “\$200,000”
21 for “\$100,000”, and

22 (2) clause (ii) of such section shall be applied
23 by substituting “the present value of the nonforfeit-
24 able accrued benefit of the employee under the plan”
25 for “one-half of the present value of the nonforfeit-

1 able accrued benefit of the employee under the
2 plan”.

3 (b) DELAY OF REPAYMENT.—In the case of a quali-
4 fied individual (as defined in section 202(c)) with an out-
5 standing loan on or after October 20, 2007, from a quali-
6 fied employer plan (as defined in section 72(p)(4) of the
7 Internal Revenue Code of 1986)—

8 (1) if the due date pursuant to subparagraph
9 (B) or (C) of section 72(p)(2) of such Code for any
10 repayment with respect to such loan occurs during
11 the period beginning after October 21, 2007, and
12 ending before November 30, 2008, such due date
13 shall be delayed for 1 year,

14 (2) any subsequent repayments with respect to
15 any such loan shall be appropriately adjusted to re-
16 flect the delay in the due date under paragraph (1)
17 and any interest accruing during such delay, and

18 (3) in determining the 5-year period and the
19 term of a loan under subparagraph (B) or (C) of
20 section 72(p)(2) of such Code, such period shall be
21 disregarded.

22 **SEC. 205. PROVISIONS RELATING TO PLAN AMENDMENTS.**

23 (a) IN GENERAL.—If this section applies to any plan
24 or contract amendment—

1 (1) such plan or contract shall be treated as
2 being operated in accordance with the terms of the
3 plan during the period described in subsection
4 (b)(2)(A), and

5 (2) except as provided by the Secretary of the
6 Treasury, such plan shall not fail to meet the re-
7 quirements of section 411(d)(6) of the Internal Rev-
8 enue Code of 1986 and section 204(g) of the Em-
9 ployee Retirement Income Security Act of 1974 by
10 reason of such amendment.

11 (b) AMENDMENTS TO WHICH SECTION APPLIES.—

12 (1) IN GENERAL.—This section shall apply to
13 any amendment to any plan or annuity contract
14 which is made—

15 (A) pursuant to any amendment made by
16 this title, or pursuant to any regulation issued
17 by the Secretary of the Treasury or the Sec-
18 retary of Labor under this title, and

19 (B) on or before the last day of the first
20 plan year beginning on or after January 1,
21 2009, or such later date as the Secretary of the
22 Treasury may prescribe.

23 In the case of a governmental plan (as defined in
24 section 414(d) of the Internal Revenue Code of
25 1986), subparagraph (B) shall be applied by sub-

1 stituting the date which is 2 years after the date
2 otherwise applied under subparagraph (B).

3 (2) CONDITIONS.—This section shall not apply
4 to any amendment unless—

5 (A) during the period—

6 (i) beginning on the date the legisla-
7 tive or regulatory amendment described in
8 paragraph (1)(A) takes effect (or in the
9 case of a plan or contract amendment not
10 required by such legislative or regulatory
11 amendment, the effective date specified by
12 the plan), and

13 (ii) ending on the date described in
14 paragraph (1)(B) (or, if earlier, the date
15 the plan or contract amendment is adopt-
16 ed),

17 the plan or contract is operated as if such plan
18 or contract amendment were in effect; and

19 (B) such plan or contract amendment ap-
20 plies retroactively for such period.

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