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AMENDMENT IN THE NATURE OF A SUBSTITUTE
TO H.R. 2776, AS REPORTED
OFFERED BY Mr. McCrary

Strike all after the enacting clause and insert the following:

1 **SEC. 1. SHORT TITLE; AMENDMENT OF 1986 CODE; TABLE**
2 **OF CONTENTS.**

3 (a) **SHORT TITLE.**—This Act may be cited as the
4 “Renewable Energy and Energy Conservation Tax Act of
5 2007”.

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

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

Sec. 1. Short title; amendment of 1986 Code; table of contents.

TITLE I—PRODUCTION AND INVESTMENT INCENTIVES

Sec. 101. Extension of renewable energy credit.

Sec. 102. Extension of energy credit.

Sec. 103. Expansion and modification of advanced coal project investment credit.

Sec. 104. Expansion and modification of coal gasification investment credit.

Sec. 105. Expansion of special allowance to cellulosic biomass alcohol fuel plant property.

- Sec. 106. Extension of alternative fuel vehicle refueling property credit.
Sec. 107. Extension of biodiesel and renewable diesel used as fuel.
Sec. 108. Extension of energy efficient commercial building deduction.

TITLE II—TAX CREDIT BONDS

- Sec. 201. Extension and modification of clean renewable energy bonds.

TITLE III—CONSERVATION INCENTIVES

- Sec. 301. Extension and modification of credit for residential energy efficient property.
Sec. 302. Extension of credit for hybrid motor vehicles and advanced lean burn vehicles.
Sec. 303. Extension of nonbusiness energy property credit.
Sec. 304. Extension of new energy efficient home credit.

TITLE IV—REVENUE PROVISIONS

- Sec. 401. Revision of tax rules on expatriation.
Sec. 402. Repeal of suspension of certain penalties and interest.
Sec. 403. Increase in information return penalties.
Sec. 404. Clarification that credits for fuel are designed to provide incentive for United States production.
Sec. 405. Modification of limitation on automobile depreciation.
Sec. 406. Extension of coal excise tax levels.
Sec. 407. Bulk transfer exception not to apply to finished gasoline.
Sec. 408. Participants in government section 457 plans allowed to treat elective deferrals as Roth contributions.
Sec. 409. Reducing REIT holding period safe harbor.
Sec. 410. Time for payment of corporate estimated taxes.

1 **TITLE I—PRODUCTION AND** 2 **INVESTMENT INCENTIVES**

3 **SEC. 101. EXTENSION OF RENEWABLE ENERGY CREDIT.**

4 (a) **IN GENERAL.**—Subsection (d) of section 45 (re-
5 lating to qualified facilities) is amended by striking “Janu-
6 ary 1, 2009” each place it appears and inserting “January
7 1, 2010”.

8 (b) **EFFECTIVE DATE.**—The amendments made by
9 this section shall take effect on the date of the enactment
10 of this Act.

1 **SEC. 102. EXTENSION OF ENERGY CREDIT.**

2 (a) IN GENERAL.—

3 (1) QUALIFIED FUEL CELL PROPERTY.—Sub-
4 paragraph (E) of section 48(c)(1) is amended by
5 striking “December 31, 2008” and inserting “De-
6 cember 31, 2009”.

7 (2) QUALIFIED MICROTURBINE PROPERTY.—
8 Subparagraph (E) of section 48(c)(2) is amended by
9 striking “December 31, 2008” and inserting “De-
10 cember 31, 2009”.

11 (3) SOLAR PROPERTY.—Paragraphs
12 (2)(A)(i)(II) and (3)(A)(ii) of section 48(a) are each
13 amended by striking “January 1, 2009” and insert-
14 ing “January 1, 2010”.

15 (b) EFFECTIVE DATE.—The amendments made by
16 this section shall take effect on the date of the enactment
17 this Act.

18 **SEC. 103. EXPANSION AND MODIFICATION OF ADVANCED**
19 **COAL PROJECT INVESTMENT CREDIT.**

20 (a) CREDIT RATE PARITY AMONG PROJECTS.—Sec-
21 tion 48A(a) (relating to qualifying advanced coal project
22 credit) is amended by striking “equal to” and all that fol-
23 lows and inserting “equal to 30 percent of the qualified
24 investment for such taxable year.”.

25 (b) EXPANSION OF AGGREGATE CREDITS.—Section
26 48A(d)(3)(A) (relating to aggregate credits) is amended

1 by striking “\$1,300,000,000” and inserting
2 “\$1,800,000,000”.

3 (c) AUTHORIZATION OF ADDITIONAL PROJECTS.—

4 (1) IN GENERAL.—Subparagraph (B) of section
5 48A(d)(3) (relating to aggregate credits) is amended
6 to read as follows:

7 “(B) PARTICULAR PROJECTS.—Of the dol-
8 lar amount in subparagraph (A), the Secretary
9 is authorized to certify—

10 “(i) \$800,000,000 for integrated gas-
11 ification combined cycle projects the appli-
12 cation for which is submitted during the
13 period described in paragraph (2)(A)(i),

14 “(ii) \$500,000,000 for projects which
15 use other advanced coal-based generation
16 technologies the application for which is
17 submitted during the period described in
18 paragraph (2)(A)(i),

19 “(iii) \$300,000,000 for integrated
20 gasification combined cycle projects the ap-
21 plication for which is submitted during the
22 period described in paragraph (2)(A)(ii),
23 and

24 “(iv) \$200,000,000 for other ad-
25 vanced coal-based generation technology

1 projects the application for which is sub-
2 mitted during the period described in para-
3 graph (2)(A)(ii).”.

4 (2) APPLICATION PERIOD FOR ADDITIONAL
5 PROJECTS.—Subparagraph (A) of section 48A(d)(2)
6 (relating to certification) is amended to read as fol-
7 lows:

8 “(A) APPLICATION PERIOD.—Each appli-
9 cant for certification under this paragraph shall
10 submit an application meeting the requirements
11 of subparagraph (B). An applicant may only
12 submit an application—

13 “(i) for an allocation from the dollar
14 amount specified in clause (i) or (ii) of
15 paragraph (3)(B) during the 3-year period
16 beginning on the date the Secretary estab-
17 lishes the program under paragraph (1),
18 and

19 “(ii) for an allocation from the dollar
20 amount specified in clause (iii) or (iv) of
21 paragraph (3)(B) during the 3-year period
22 beginning at the earlier of the termination
23 of the period described in clause (i) or the
24 date prescribed by the Secretary.”.

1 (3) CAPTURE AND SEQUESTRATION OF CARBON
2 DIOXIDE EMISSIONS REQUIREMENT.—Section
3 48A(e)(1) (relating to requirements) is amended by
4 striking “and” at the end of subparagraph (E), by
5 striking the period at the end of subparagraph (F)
6 and inserting “, and”, and by adding at the end the
7 following new subparagraph:

8 “(G) in the case of any project the applica-
9 tion for which is submitted during the period
10 described in paragraph (2)(A)(ii), the project
11 includes equipment to separate and sequester
12 65 percent of such project’s total carbon dioxide
13 emissions.”.

14 (d) EFFECTIVE DATE.—The amendments made by
15 this section shall take effect on the date of the enactment
16 of this Act.

17 **SEC. 104. EXPANSION AND MODIFICATION OF COAL GASIFI-**
18 **CATION INVESTMENT CREDIT.**

19 (a) CREDIT RATE.—Section 48B(a) (relating to
20 qualifying gasification project credit) is amended by strik-
21 ing “20 percent” and inserting “30 percent”.

22 (b) EXPANSION OF AGGREGATE CREDITS.—Section
23 48B(d)(1) (relating to qualifying gasification project pro-
24 gram) is amended by striking “\$350,000,000” and insert-
25 ing “\$500,000,000 (of which \$150,000,000 shall be allo-

1 cated for qualifying gasification projects that include
2 equipment to separate and sequester 75 percent of such
3 a project's total carbon dioxide emissions)".

4 (c) ELIGIBLE PROJECTS INCLUDE FISCHER-
5 TROPSCH PROCESS.—Section 48B(c)(7) (defining eligible
6 entity) is amended by striking “and” at the end of sub-
7 paragraph (F), by striking the period at the end of sub-
8 paragraph (G) and inserting “, and”, and by adding at
9 the end the following new subparagraph:

10 “(H) transportation grade liquid fuels.”.

11 (d) EFFECTIVE DATE.—The amendments made by
12 this section shall take effect on the date of the enactment
13 of this Act.

14 **SEC. 105. EXPANSION OF SPECIAL ALLOWANCE TO CEL-**
15 **LULOSIC BIOMASS ALCOHOL FUEL PLANT**
16 **PROPERTY.**

17 (a) IN GENERAL.—Paragraph (3) of section 168(l)
18 (relating to special allowance for cellulosic biomass ethanol
19 plant property) is amended to read as follows:

20 “(3) CELLULOSIC BIOMASS ALCOHOL.—For
21 purposes of this subsection, the term ‘cellulosic bio-
22 mass alcohol’ means any alcohol produced from any
23 lignocellulosic or hemicellulosic matter that is avail-
24 able on a renewable or recurring basis.”.

25 (b) CONFORMING AMENDMENTS.—

1 (1) Subsection (l) of section 168 is amended by
2 striking “cellulosic biomass ethanol” each place it
3 appears and inserting “cellulosic biomass alcohol”.

4 (2) The heading of section 168(l) is amended
5 by striking “CELLULOSIC BIOMASS ETHANOL” and
6 inserting “CELLULOSIC BIOMASS ALCOHOL”.

7 (3) The heading of paragraph (2) of section
8 168(l) is amended by striking “CELLULOSIC BIO-
9 MASS ETHANOL” and inserting “CELLULOSIC BIO-
10 MASS ALCOHOL”.

11 (c) **EFFECTIVE DATE.**—The amendments made by
12 this section shall apply to property placed in service after
13 the date of the enactment of this Act.

14 **SEC. 106. EXTENSION OF ALTERNATIVE FUEL VEHICLE RE-**
15 **FUELING PROPERTY CREDIT.**

16 (a) **IN GENERAL.**—Paragraph (2) of section 30C(g)
17 (relating to termination) is amended by striking “Decem-
18 ber 31, 2009” and inserting “December 31, 2010”.

19 (b) **EFFECTIVE DATE.**—The amendment made by
20 this section shall take effect on the date of the enactment
21 of this Act.

22 **SEC. 107. EXTENSION OF BIODIESEL AND RENEWABLE DIE-**
23 **SEL USED AS FUEL.**

24 (a) **IN GENERAL.**—

1 (1) INCOME TAX CREDITS FOR BIODIESEL AND
2 RENEWABLE DIESEL AND SMALL AGRI-BIODIESEL
3 PRODUCER CREDIT.—Subsection (g) of section 40A
4 (relating to termination) is amended by striking
5 “December 31, 2008” and inserting “December 31,
6 2009”.

7 (2) EXCISE TAX CREDIT.—Section 6426(c)(6)
8 (relating to termination) is amended by striking
9 “December 31, 2008” and inserting “December 31,
10 2009”.

11 (3) FUELS NOT USED FOR TAXABLE PUR-
12 POSES.—Section 6427(e)(5)(B) (relating to termi-
13 nation) is amended by striking “December 31,
14 2008” and inserting “December 31, 2009”.

15 (b) EFFECTIVE DATE.—The amendment made by
16 this section shall take effect on the date of the enactment
17 of this Act.

18 **SEC. 108. EXTENSION OF ENERGY EFFICIENT COMMERCIAL**
19 **BUILDING DEDUCTION.**

20 (a) IN GENERAL.—Subsection (h) of section 179D
21 (relating to termination) is amended by striking “Decem-
22 ber 31, 2008” and inserting “December 31, 2009”.

23 (b) EFFECTIVE DATE.—The amendment made by
24 this section shall take effect on the date of the enactment
25 of this Act.

1 **TITLE II—TAX CREDIT BONDS**

2 **SEC. 201. EXTENSION AND MODIFICATION OF CLEAN RE-** 3 **NEWABLE ENERGY BONDS.**

4 (a) IN GENERAL.—

5 (1) INCREASE.—Section 54(f) (relating to limi-
6 tation on amount of bonds designated) is amended—

7 (A) by striking “\$1,200,000,000” in para-
8 graph (1) and inserting “\$1,600,000,000”, and

9 (B) by striking “\$750,000,000” in para-
10 graph (2) and inserting “\$1,000,000,000”.

11 (2) EXTENSION.—Subsection (m) of section 54
12 (relating to termination) is amended by striking
13 “December 31, 2008” and inserting “December 31,
14 2009”.

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

18 **TITLE III—CONSERVATION** 19 **INCENTIVES**

20 **SEC. 301. EXTENSION AND MODIFICATION OF CREDIT FOR** 21 **RESIDENTIAL ENERGY EFFICIENT PROP-** 22 **ERTY.**

23 (a) EXTENSION.—Section 25D(g) (relating to termi-
24 nation) is amended by striking “December 31, 2008” and
25 inserting “December 31, 2009”.

1 (b) MAXIMUM CREDIT FOR SOLAR ELECTRIC PROP-
2 ERTY.—

3 (1) IN GENERAL.—Section 25D(b)(1)(A) (relat-
4 ing to maximum credit) is amended by striking
5 “\$2,000” and inserting “\$4,000”.

6 (2) CONFORMING AMENDMENT.—Section
7 25D(e)(4)(A)(i) is amended by striking “\$6,667”
8 and inserting “\$13,334”.

9 (c) EFFECTIVE DATE.—The amendments made by
10 this section shall apply to expenditures made after Decem-
11 ber 31, 2007.

12 **SEC. 302. EXTENSION OF CREDIT FOR HYBRID MOTOR VE-**
13 **HICLES AND ADVANCED LEAN BURN VEHI-**
14 **CLES.**

15 (a) IN GENERAL.—Subsection (j) of section 30B (re-
16 lating to termination) is amended—

17 (1) by striking “December 31, 2010” in para-
18 graph (2) and inserting “December 31, 2011”, and

19 (2) by striking “December 31, 2009” in para-
20 graph (3) and inserting “December 31, 2010”.

21 (b) EFFECTIVE DATE.—The amendments made by
22 this section shall take effect on the date of the enactment
23 of this Act.

1 **SEC. 303. EXTENSION OF NONBUSINESS ENERGY PROP-**
2 **ERTY CREDIT.**

3 (a) **IN GENERAL.**—Subsection (g) of section 25C (re-
4 lating to termination) is amended by striking “December
5 31, 2007” and inserting “December 31, 2008”

6 (b) **EFFECTIVE DATE.**—The amendment made by
7 this section shall apply with respect to property placed in
8 service after December 31, 2007.

9 **SEC. 304. EXTENSION OF NEW ENERGY EFFICIENT HOME**
10 **CREDIT.**

11 (a) **IN GENERAL.**—Subsection (g) of section 45L (re-
12 lating to termination) is amended by striking “December
13 31, 2008” and inserting “December 31, 2009”.

14 (b) **EFFECTIVE DATE.**—The amendment made by
15 this section shall take effect on the date of the enactment
16 of this Act.

17 **TITLE IV—REVENUE**
18 **PROVISIONS**

19 **SEC. 401. REVISION OF TAX RULES ON EXPATRIATION.**

20 (a) **IN GENERAL.**—Subpart A of part II of sub-
21 chapter N of chapter 1 is amended by inserting after sec-
22 tion 877 the following new section:

23 **“SEC. 877A. TAX RESPONSIBILITIES OF EXPATRIATION.**

24 **“(a) GENERAL RULES.**—For purposes of this sub-
25 title—

1 “(1) MARK TO MARKET.—All property of a cov-
2 ered expatriate shall be treated as sold on the day
3 before the expatriation date for its fair market
4 value.

5 “(2) RECOGNITION OF GAIN OR LOSS.—In the
6 case of any sale under paragraph (1)—

7 “(A) notwithstanding any other provision
8 of this title, any gain arising from such sale
9 shall be taken into account for the taxable year
10 of the sale, and

11 “(B) any loss arising from such sale shall
12 be taken into account for the taxable year of
13 the sale to the extent otherwise provided by this
14 title, except that section 1091 shall not apply to
15 any such loss.

16 Proper adjustment shall be made in the amount of
17 any gain or loss subsequently realized for gain or
18 loss taken into account under the preceding sen-
19 tence, determined without regard to paragraph (3).

20 “(3) EXCLUSION FOR CERTAIN GAIN.—

21 “(A) IN GENERAL.—The amount which
22 would (but for this paragraph) be includible in
23 the gross income of any individual by reason of
24 paragraph (1) shall be reduced (but not below
25 zero) by \$600,000.

1 “(B) ADJUSTMENT FOR INFLATION.—

2 “(i) IN GENERAL.—In the case of any
3 taxable year beginning in a calendar year
4 after 2008, the dollar amount in subpara-
5 graph (A) shall be increased by an amount
6 equal to—

7 “(I) such dollar amount, multi-
8 plied by

9 “(II) the cost-of-living adjust-
10 ment determined under section 1(f)(3)
11 for the calendar year in which the tax-
12 able year begins, by substituting ‘cal-
13 endar year 2007’ for ‘calendar year
14 1992’ in subparagraph (B) thereof.

15 “(ii) ROUNDING.—If any amount as
16 adjusted under clause (i) is not a multiple
17 of \$1,000, such amount shall be rounded
18 to the nearest multiple of \$1,000.

19 “(b) ELECTION TO DEFER TAX.—

20 “(1) IN GENERAL.—If the taxpayer elects the
21 application of this subsection with respect to any
22 property treated as sold by reason of subsection (a),
23 the time for payment of the additional tax attrib-
24 utable to such property shall be extended until the
25 due date of the return for the taxable year in which

1 such property is disposed of (or, in the case of prop-
2 erty disposed of in a transaction in which gain is not
3 recognized in whole or in part, until such other date
4 as the Secretary may prescribe).

5 “(2) DETERMINATION OF TAX WITH RESPECT
6 TO PROPERTY.—For purposes of paragraph (1), the
7 additional tax attributable to any property is an
8 amount which bears the same ratio to the additional
9 tax imposed by this chapter for the taxable year
10 solely by reason of subsection (a) as the gain taken
11 into account under subsection (a) with respect to
12 such property bears to the total gain taken into ac-
13 count under subsection (a) with respect to all prop-
14 erty to which subsection (a) applies.

15 “(3) TERMINATION OF EXTENSION.—The due
16 date for payment of tax may not be extended under
17 this subsection later than the due date for the re-
18 turn of tax imposed by this chapter for the taxable
19 year which includes the date of death of the expa-
20 triate (or, if earlier, the time that the security pro-
21 vided with respect to the property fails to meet the
22 requirements of paragraph (4), unless the taxpayer
23 corrects such failure within the time specified by the
24 Secretary).

25 “(4) SECURITY.—

1 “(A) IN GENERAL.—No election may be
2 made under paragraph (1) with respect to any
3 property unless adequate security is provided
4 with respect to such property.

5 “(B) ADEQUATE SECURITY.—For purposes
6 of subparagraph (A), security with respect to
7 any property shall be treated as adequate secu-
8 rity if—

9 “(i) it is a bond which is furnished to,
10 and accepted by, the Secretary, which is
11 conditioned on the payment of tax (and in-
12 terest thereon), and which meets the re-
13 quirements of section 6325, or

14 “(ii) it is another form of security for
15 such payment (including letters of credit)
16 that meets such requirements as the Sec-
17 retary may prescribe.

18 “(5) WAIVER OF CERTAIN RIGHTS.—No elec-
19 tion may be made under paragraph (1) unless the
20 taxpayer makes an irrevocable waiver of any right
21 under any treaty of the United States which would
22 preclude assessment or collection of any tax imposed
23 by reason of this section.

1 “(6) ELECTIONS.—An election under paragraph
2 (1) shall only apply to property described in the elec-
3 tion and, once made, is irrevocable.

4 “(7) INTEREST.—For purposes of section 6601,
5 the last date for the payment of tax shall be deter-
6 mined without regard to the election under this sub-
7 section.

8 “(c) EXCEPTION FOR CERTAIN PROPERTY.—Sub-
9 section (a) shall not apply to—

10 “(1) any deferred compensation item (as de-
11 fined in subsection (d)(4)),

12 “(2) any specified tax deferred account (as de-
13 fined in subsection (e)(2)), and

14 “(3) any interest in a nongrantor trust (as de-
15 fined in subsection (f)(3)).

16 “(d) TREATMENT OF DEFERRED COMPENSATION
17 ITEMS.—

18 “(1) WITHHOLDING ON ELIGIBLE DEFERRED
19 COMPENSATION ITEMS.—

20 “(A) IN GENERAL.—In the case of any eli-
21 gible deferred compensation item, the payor
22 shall deduct and withhold from any taxable
23 payment to a covered expatriate with respect to
24 such item a tax equal to 30 percent thereof.

1 “(B) TAXABLE PAYMENT.—For purposes
2 of subparagraph (A), the term ‘taxable pay-
3 ment’ means with respect to a covered expa-
4 triate any payment to the extent it would be in-
5 cludible in the gross income of the covered ex-
6 patriate if such expatriate continued to be sub-
7 ject to tax as a citizen or resident of the United
8 States. A deferred compensation item shall be
9 taken into account as a payment under the pre-
10 ceeding sentence when such item would be so in-
11 cludible.

12 “(2) OTHER DEFERRED COMPENSATION
13 ITEMS.—In the case of any deferred compensation
14 item which is not an eligible deferred compensation
15 item—

16 “(A)(i) with respect to any deferred com-
17 pensation item to which clause (ii) does not
18 apply, an amount equal to the present value of
19 the covered expatriate’s accrued benefit shall be
20 treated as having been received by such indi-
21 vidual on the day before the expatriation date
22 as a distribution under the plan, and

23 “(ii) with respect to any deferred com-
24 pensation item referred to in paragraph (4)(D),
25 the rights of the covered expatriate to such item

1 shall be treated as becoming transferable and
2 not subject to a substantial risk of forfeiture on
3 the day before the expatriation date,

4 “(B) no early distribution tax shall apply
5 by reason of such treatment, and

6 “(C) appropriate adjustments shall be
7 made to subsequent distributions from the plan
8 to reflect such treatment.

9 “(3) ELIGIBLE DEFERRED COMPENSATION
10 ITEMS.—For purposes of this subsection, the term
11 ‘eligible deferred compensation item’ means any de-
12 ferred compensation item with respect to which—

13 “(A) the payor of such item is—

14 “(i) a United States person, or

15 “(ii) a person who is not a United
16 States person but who elects to be treated
17 as a United States person for purposes of
18 paragraph (1) and meets such require-
19 ments as the Secretary may provide to en-
20 sure that the payor will meet the require-
21 ments of paragraph (1), and

22 “(B) the covered expatriate—

23 “(i) notifies the payor of his status as
24 a covered expatriate, and

1 “(ii) makes an irrevocable waiver of
2 any right to claim any reduction under any
3 treaty with the United States in with-
4 holding on such item.

5 “(4) DEFERRED COMPENSATION ITEM.—For
6 purposes of this subsection, the term ‘deferred com-
7 pensation item’ means—

8 “(A) any interest in a plan or arrangement
9 described in section 219(g)(5),

10 “(B) any interest in a foreign pension plan
11 or similar retirement arrangement or program,

12 “(C) any item of deferred compensation,
13 and

14 “(D) any property, or right to property,
15 which the individual is entitled to receive in
16 connection with the performance of services to
17 the extent not previously taken into account
18 under section 83 or in accordance with section
19 83.

20 “(5) EXCEPTION.—Paragraphs (1) and (2)
21 shall not apply to any deferred compensation item
22 which is attributable to services performed outside
23 the United States while the covered expatriate was
24 not a citizen or resident of the United States.

25 “(6) SPECIAL RULES.—

1 “(A) APPLICATION OF WITHHOLDING
2 RULES.—Rules similar to the rules of sub-
3 chapter B of chapter 3 shall apply for purposes
4 of this subsection.

5 “(B) APPLICATION OF TAX.—Any item
6 subject to the withholding tax imposed under
7 paragraph (1) shall be subject to tax under sec-
8 tion 871.

9 “(C) COORDINATION WITH OTHER WITH-
10 HOLDING REQUIREMENTS.—Any item subject to
11 withholding under paragraph (1) shall not be
12 subject to withholding under section 1441 or
13 chapter 24.

14 “(e) TREATMENT OF SPECIFIED TAX DEFERRED AC-
15 COUNTS.—

16 “(1) ACCOUNT TREATED AS DISTRIBUTED.—In
17 the case of any interest in a specified tax deferred
18 account held by a covered expatriate on the day be-
19 fore the expatriation date—

20 “(A) the covered expatriate shall be treat-
21 ed as receiving a distribution of his entire inter-
22 est in such account on the day before the expa-
23 triation date,

24 “(B) no early distribution tax shall apply
25 by reason of such treatment, and

1 “(C) appropriate adjustments shall be
2 made to subsequent distributions from the ac-
3 count to reflect such treatment.

4 “(2) SPECIFIED TAX DEFERRED ACCOUNT.—

5 For purposes of paragraph (1), the term ‘specified
6 tax deferred account’ means an individual retirement
7 plan (as defined in section 7701(a)(37)) other than
8 any arrangement described in subsection (k) or (p)
9 of section 408, a qualified tuition program (as de-
10 fined in section 529), a Coverdell education savings
11 account (as defined in section 530), a health savings
12 account (as defined in section 223), and an Archer
13 MSA (as defined in section 220).

14 “(f) SPECIAL RULES FOR NONGRANTOR TRUSTS.—

15 “(1) IN GENERAL.—In the case of a distribu-
16 tion (directly or indirectly) of any property from a
17 nongrantor trust to a covered expatriate—

18 “(A) the trustee shall deduct and withhold
19 from such distribution an amount equal to 30
20 percent of the taxable portion of the distribu-
21 tion, and

22 “(B) if the fair market value of such prop-
23 erty exceeds its adjusted basis in the hands of
24 the trust, gain shall be recognized to the trust

1 as if such property were sold to the expatriate
2 at its fair market value.

3 “(2) TAXABLE PORTION.—For purposes of this
4 subsection, the term ‘taxable portion’ means, with
5 respect to any distribution, that portion of the dis-
6 tribution which would be includible in the gross in-
7 come of the covered expatriate if such expatriate
8 continued to be subject to tax as a citizen or resi-
9 dent of the United States.

10 “(3) NONGRANTOR TRUST.—For purposes of
11 this subsection, the term ‘nongrantor trust’ means
12 the portion of any trust that the individual is not
13 considered the owner of under subpart E of part I
14 of subchapter J. The determination under the pre-
15 ceding sentence shall be made immediately before
16 the expatriation date.

17 “(4) SPECIAL RULES RELATING TO WITH-
18 HOLDING.—For purposes of this subsection—

19 “(A) rules similar to the rules of sub-
20 section (d)(6) shall apply, and

21 “(B) the covered expatriate shall be treat-
22 ed as having waived any right to claim any re-
23 duction under any treaty with the United
24 States in withholding on any distribution to
25 which paragraph (1)(A) applies.

1 “(g) DEFINITIONS AND SPECIAL RULES RELATING
2 TO EXPATRIATION.—For purposes of this section—

3 “(1) COVERED EXPATRIATE.—

4 “(A) IN GENERAL.—The term ‘covered ex-
5 patriate’ means an expatriate who meets the re-
6 quirements of subparagraph (A), (B), or (C) of
7 section 877(a)(2).

8 “(B) EXCEPTIONS.—An individual shall
9 not be treated as meeting the requirements of
10 subparagraph (A) or (B) of section 877(a)(2)
11 if—

12 “(i) the individual—

13 “(I) became at birth a citizen of
14 the United States and a citizen of an-
15 other country and, as of the expatria-
16 tion date, continues to be a citizen of,
17 and is taxed as a resident of, such
18 other country, and

19 “(II) has been a resident of the
20 United States (as defined in section
21 7701(b)(1)(A)(ii)) for not more than
22 10 taxable years during the 15-tax-
23 able year period ending with the tax-
24 able year during which the expatria-
25 tion date occurs, or

1 “(ii)(I) the individual’s relinquishment
2 of United States citizenship occurs before
3 such individual attains age 18½, and

4 “(II) the individual has been a resi-
5 dent of the United States (as so defined)
6 for not more than 10 taxable years before
7 the date of relinquishment.

8 “(C) COVERED EXPATRIATES ALSO SUB-
9 JECT TO TAX AS CITIZENS OR RESIDENTS.—In
10 the case of any covered expatriate who is sub-
11 ject to tax as a citizen or resident of the United
12 States for any period beginning after the expa-
13 triation date, such individual shall not be treat-
14 ed as a covered expatriate during such period
15 for purposes of subsections (d)(1) and (f) and
16 section 2801.

17 “(2) EXPATRIATE.—The term ‘expatriate’
18 means—

19 “(A) any United States citizen who relin-
20 quishes his citizenship, and

21 “(B) any long-term resident of the United
22 States who ceases to be a lawful permanent
23 resident of the United States (within the mean-
24 ing of section 7701(b)(6)).

1 “(3) EXPATRIATION DATE.—The term ‘expa-
2 triation date’ means—

3 “(A) the date an individual relinquishes
4 United States citizenship, or

5 “(B) in the case of a long-term resident of
6 the United States, the date on which the indi-
7 vidual ceases to be a lawful permanent resident
8 of the United States (within the meaning of
9 section 7701(b)(6)).

10 “(4) RELINQUISHMENT OF CITIZENSHIP.—A
11 citizen shall be treated as relinquishing his United
12 States citizenship on the earliest of—

13 “(A) the date the individual renounces his
14 United States nationality before a diplomatic or
15 consular officer of the United States pursuant
16 to paragraph (5) of section 349(a) of the Immi-
17 gration and Nationality Act (8 U.S.C.
18 1481(a)(5)),

19 “(B) the date the individual furnishes to
20 the United States Department of State a signed
21 statement of voluntary relinquishment of
22 United States nationality confirming the per-
23 formance of an act of expatriation specified in
24 paragraph (1), (2), (3), or (4) of section 349(a)

1 of the Immigration and Nationality Act (8
2 U.S.C. 1481(a)(1)–(4),

3 “(C) the date the United States Depart-
4 ment of State issues to the individual a certifi-
5 cate of loss of nationality, or

6 “(D) the date a court of the United States
7 cancels a naturalized citizen’s certificate of nat-
8 uralization.

9 Subparagraph (A) or (B) shall not apply to any indi-
10 vidual unless the renunciation or voluntary relin-
11 quishment is subsequently approved by the issuance
12 to the individual of a certificate of loss of nationality
13 by the United States Department of State.

14 “(5) LONG-TERM RESIDENT.—The term ‘long-
15 term resident’ has the meaning given to such term
16 by section 877(e)(2).

17 “(6) EARLY DISTRIBUTION TAX.—The term
18 ‘early distribution tax’ means any increase in tax im-
19 posed under section 72(t), 220(e)(4), 223(f)(4),
20 409A(a)(1)(B), 529(c)(6), or 530(d)(4).

21 “(h) OTHER RULES.—

22 “(1) TERMINATION OF DEFERRALS, ETC.—In
23 the case of any covered expatriate, notwithstanding
24 any other provision of this title—

1 “(A) any time period for acquiring prop-
2 erty which would result in the reduction in the
3 amount of gain recognized with respect to prop-
4 erty disposed of by the taxpayer shall terminate
5 on the day before the expatriation date, and

6 “(B) any extension of time for payment of
7 tax shall cease to apply on the day before the
8 expatriation date and the unpaid portion of
9 such tax shall be due and payable at the time
10 and in the manner prescribed by the Secretary.

11 “(2) STEP-UP IN BASIS.—Solely for purposes of
12 determining any tax imposed by reason of subsection
13 (a), property which was held by an individual on the
14 date the individual first became a resident of the
15 United States (within the meaning of section
16 7701(b)) shall be treated as having a basis on such
17 date of not less than the fair market value of such
18 property on such date. The preceding sentence shall
19 not apply if the individual elects not to have such
20 sentence apply. Such an election, once made, shall
21 be irrevocable.

22 “(3) COORDINATION WITH SECTION 684.—If
23 the expatriation of any individual would result in the
24 recognition of gain under section 684, this section
25 shall be applied after the application of section 684.

1 “(i) REGULATIONS.—The Secretary shall prescribe
2 such regulations as may be necessary or appropriate to
3 carry out the purposes of this section.”.

4 (b) TAX ON GIFTS AND BEQUESTS RECEIVED BY
5 UNITED STATES CITIZENS AND RESIDENTS FROM EXPA-
6 TRIATES.—

7 (1) IN GENERAL.—Subtitle B (relating to estate
8 and gift taxes) is amended by inserting after chapter
9 14 the following new chapter:

10 **“CHAPTER 15—GIFTS AND BEQUESTS**
11 **FROM EXPATRIATES**

 “Sec. 2801. Imposition of tax

12 **“SEC. 2801. IMPOSITION OF TAX.**

13 “(a) IN GENERAL.—If, during any calendar year, any
14 United States citizen or resident receives any covered gift
15 or bequest, there is hereby imposed a tax equal to the
16 product of—

17 “(1) the highest rate of tax specified in the
18 table contained in section 2001(c) as in effect on the
19 date of such receipt (or, if greater, the highest rate
20 of tax specified in the table applicable under section
21 2502(a) as in effect on the date), and

22 “(2) the value of such covered gift or bequest.

1 “(b) TAX TO BE PAID BY RECIPIENT.—The tax im-
2 posed by subsection (a) on any covered gift or bequest
3 shall be paid by the person receiving such gift or bequest.

4 “(c) EXCEPTION FOR CERTAIN GIFTS.—Subsection
5 (a) shall apply only to the extent that the value of covered
6 gifts and bequests received by any person during the cal-
7 endar year exceeds \$10,000.

8 “(d) TAX REDUCED BY FOREIGN GIFT OR ESTATE
9 TAX.—The tax imposed by subsection (a) on any covered
10 gift or bequest shall be reduced by the amount of any gift
11 or estate tax paid to a foreign country with respect to such
12 covered gift or bequest.

13 “(e) COVERED GIFT OR BEQUEST.—

14 “(1) IN GENERAL.—For purposes of this chap-
15 ter, the term ‘covered gift or bequest’ means—

16 “(A) any property acquired by gift directly
17 or indirectly from an individual who, at the
18 time of such acquisition, is a covered expatriate,
19 and

20 “(B) any property acquired directly or in-
21 directly by reason of the death of an individual
22 who, immediately before such death, was a cov-
23 ered expatriate.

1 “(2) EXCEPTIONS FOR TRANSFERS OTHERWISE
2 SUBJECT TO ESTATE OR GIFT TAX.—Such term shall
3 not include—

4 “(A) any property shown on a timely filed
5 return of tax imposed by chapter 12 which is a
6 taxable gift by the covered expatriate, and

7 “(B) any property included in the gross es-
8 tate of the covered expatriate for purposes of
9 chapter 11 and shown on a timely filed return
10 of tax imposed by chapter 11 of the estate of
11 the covered expatriate.

12 “(3) TRANSFERS IN TRUST.—

13 “(A) DOMESTIC TRUSTS.—In the case of a
14 covered gift or bequest made to a domestic
15 trust—

16 “(i) subsection (a) shall apply in the
17 same manner as if such trust were a
18 United States citizen, and

19 “(ii) the tax imposed by subsection (a)
20 on such gift or bequest shall be paid by
21 such trust.

22 “(B) FOREIGN TRUSTS.—

23 “(i) IN GENERAL.—In the case of a
24 covered gift or bequest made to a foreign
25 trust, subsection (a) shall apply to any dis-

1 tribution attributable to such gift or be-
2 quest from such trust (whether from in-
3 come or corpus) to a United States citizen
4 or resident in the same manner as if such
5 distribution were a covered gift or bequest.

6 “(ii) DEDUCTION FOR TAX PAID BY
7 RECIPIENT.—There shall be allowed as a
8 deduction under section 164 the amount of
9 tax imposed by this section which is paid
10 or accrued by a United States citizen or
11 resident by reason of a distribution from a
12 foreign trust, but only to the extent such
13 tax is imposed on the portion of such dis-
14 tribution which is included in the gross in-
15 come of such citizen or resident.

16 “(iii) ELECTION TO BE TREATED AS
17 DOMESTIC TRUST.—Solely for purposes of
18 this section, a foreign trust may elect to be
19 treated as a domestic trust. Such an elec-
20 tion may be revoked with the consent of
21 the Secretary.

22 “(f) COVERED EXPATRIATE.—For purposes of this
23 section, the term ‘covered expatriate’ has the meaning
24 given to such term by section 877A(g)(1).”

1 (2) CLERICAL AMENDMENT.—The table of
2 chapters for subtitle B is amended by inserting after
3 the item relating to chapter 14 the following new
4 item:

“CHAPTER 15. GIFTS AND BEQUESTS FROM EXPATRIATES.”.

5 (c) DEFINITION OF TERMINATION OF UNITED
6 STATES CITIZENSHIP.—

7 (1) IN GENERAL.—Section 7701(a) is amended
8 by adding at the end the following new paragraph:

9 “(50) TERMINATION OF UNITED STATES CITI-
10 ZENSHIP.—

11 “(A) IN GENERAL.—An individual shall
12 not cease to be treated as a United States cit-
13 izen before the date on which the individual’s
14 citizenship is treated as relinquished under sec-
15 tion 877A(g)(4).

16 “(B) DUAL CITIZENS.—Under regulations
17 prescribed by the Secretary, subparagraph (A)
18 shall not apply to an individual who became at
19 birth a citizen of the United States and a cit-
20 izen of another country.”.

21 (2) CONFORMING AMENDMENTS.—

22 (A) Paragraph (1) of section 877(e) is
23 amended to read as follows:

24 “(1) IN GENERAL.—Any long-term resident of
25 the United States who ceases to be a lawful perma-

1 nent resident of the United States (within the mean-
2 ing of section 7701(b)(6)) shall be treated for pur-
3 poses of this section and sections 2107, 2501, and
4 6039G in the same manner as if such resident were
5 a citizen of the United States who lost United States
6 citizenship on the date of such cessation or com-
7 mencement.”.

8 (B) Paragraph (6) of section 7701(b) is
9 amended by adding at the end the following
10 flush sentence:

11 “An individual shall cease to be treated as a lawful
12 permanent resident of the United States if such in-
13 dividual commences to be treated as a resident of a
14 foreign country under the provisions of a tax treaty
15 between the United States and the foreign country,
16 does not waive the benefits of such treaty applicable
17 to residents of the foreign country, and notifies the
18 Secretary of the commencement of such treatment.”.

19 (C) Section 7701 is amended by striking
20 subsection (n) and by redesignating subsections
21 (o) and (p) as subsections (n) and (o), respec-
22 tively.

23 (d) INFORMATION RETURNS.—Section 6039G is
24 amended—

1 (1) by inserting “or 877A” after “section
2 877(b)” in subsection (a), and

3 (2) by inserting “or 877A” after “section
4 877(a)” in subsection (d).

5 (e) CLERICAL AMENDMENT.—The table of sections
6 for subpart A of part II of subchapter N of chapter 1
7 is amended by inserting after the item relating to section
8 877 the following new item:

 “Sec. 877A. Tax responsibilities of expatriation.”.

9 (f) EFFECTIVE DATE.—

10 (1) IN GENERAL.—Except as provided in this
11 subsection, the amendments made by this section
12 shall apply to expatriates (as defined in section
13 877A(g) of the Internal Revenue Code of 1986, as
14 added by this section) whose expatriation date (as so
15 defined) is on or after the date of the enactment of
16 this Act.

17 (2) GIFTS AND BEQUESTS.—Chapter 15 of the
18 Internal Revenue Code of 1986 (as added by sub-
19 section (b)) shall apply to covered gifts and bequests
20 (as defined in section 2801 of such Code, as so
21 added) received on or after the date of the enact-
22 ment of this Act, regardless of when the transferor
23 expatriated.

1 **SEC. 402. REPEAL OF SUSPENSION OF CERTAIN PENALTIES**
2 **AND INTEREST.**

3 (a) **IN GENERAL.**—Section 6404 is amended by strik-
4 ing subsection (g) and by redesignating subsection (h) as
5 subsection (g).

6 (b) **EFFECTIVE DATE.**—The amendment made by
7 subsection (a) shall apply to notices provided by the Sec-
8 retary of the Treasury, or his delegate, after the date
9 which is 6 months after the date of the enactment of the
10 Small Business and Work Opportunity Tax Act of 2007.

11 **SEC. 403. INCREASE IN INFORMATION RETURN PENALTIES.**

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

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

17 (2) **AGGREGATE ANNUAL LIMITATION.**—Sub-
18 sections (a)(1), (d)(1)(A), and (e)(3)(A) of section
19 6721 are each amended by striking “\$250,000” and
20 inserting “\$900,000”.

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

23 (1) **IN GENERAL.**—Subparagraph (A) of section
24 6721(b)(1) is amended by striking “\$15” and insert-
25 ing “\$30”.

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

5 (c) REDUCTION WHERE CORRECTION ON OR BEFORE
6 AUGUST 1.—

7 (1) IN GENERAL.—Subparagraph (A) of section
8 6721(b)(2) is amended by striking “\$30” and insert-
9 ing “\$60”.

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

14 (d) AGGREGATE ANNUAL LIMITATIONS FOR PER-
15 SONS WITH GROSS RECEIPTS OF NOT MORE THAN
16 \$5,000,000.—Paragraph (1) of section 6721(d) is amend-
17 ed—

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

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

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

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

4 (f) FAILURE TO FURNISH CORRECT PAYEE STATE-
5 MENTS.—

6 (1) IN GENERAL.—Subsection (a) of section
7 6722 is amended by striking “\$50” and inserting
8 “\$100”.

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

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

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

19 (1) by striking “\$50” and inserting “\$100”,
20 and

21 (2) by striking “\$100,000” and inserting
22 “\$600,000”.

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

1 **SEC. 404. CLARIFICATION THAT CREDITS FOR FUEL ARE**
2 **DESIGNED TO PROVIDE INCENTIVE FOR**
3 **UNITED STATES PRODUCTION.**

4 (a) **BIODIESEL FUELS CREDIT.**—Paragraph (5) of
5 section 40A(d), as added by subsection (c), is amended
6 to read as follows:

7 “(5) **LIMITATION TO BIODIESEL WITH CONNEC-**
8 **TION TO THE UNITED STATES.**—No credit shall be
9 determined under this section with respect to any
10 biodiesel unless—

11 “(A) such biodiesel is produced in the
12 United States for use as a fuel in the United
13 States, and

14 “(B) the taxpayer obtains a certification
15 (in such form and manner as prescribed by the
16 Secretary) from the producer of the biodiesel
17 which identifies the product produced and the
18 location of such production.

19 For purposes of this paragraph, the term ‘United
20 States’ includes any possession of the United
21 States.”.

22 (b) **EXCISE TAX CREDIT.**—Paragraph (2) of section
23 6426(i), as added by subsection (c), is amended to read
24 as follows:

25 “(2) **BIODIESEL AND ALTERNATIVE FUELS.**—
26 No credit shall be determined under this section

1 with respect to any biodiesel or alternative fuel un-
2 less—

3 “(A) such biodiesel or alternative fuel is
4 produced in the United States for use as a fuel
5 in the United States, and

6 “(B) the taxpayer obtains a certification
7 (in such form and manner as prescribed by the
8 Secretary) from the producer of such biodiesel
9 or alternative fuel which identifies the product
10 produced and the location of such production.”.

11 (c) PROVISIONS CLARIFYING TREATMENT OF FUELS
12 WITH NO NEXUS TO THE UNITED STATES.—

13 (1) ALCOHOL FUELS CREDIT.—Subsection (d)
14 of section 40 is amended by adding at the end the
15 following new paragraph:

16 “(6) LIMITATION TO ALCOHOL WITH CONNEC-
17 TION TO THE UNITED STATES.—No credit shall be
18 determined under this section with respect to any al-
19 cohol which is produced outside the United States
20 for use as a fuel outside the United States. For pur-
21 poses of this paragraph, the term ‘United States’ in-
22 cludes any possession of the United States.”.

23 (2) BIODIESEL FUELS CREDIT.—Subsection (d)
24 of section 40A is amended by adding at the end the
25 following new paragraph:

1 “(5) LIMITATION TO BIODIESEL WITH CONNEC-
2 TION TO THE UNITED STATES.—No credit shall be
3 determined under this section with respect to any
4 biodiesel which is produced outside the United
5 States for use as a fuel outside the United States.
6 For purposes of this paragraph, the term ‘United
7 States’ includes any possession of the United
8 States.”.

9 (3) EXCISE TAX CREDIT.—

10 (A) IN GENERAL.—Section 6426 is amend-
11 ed by adding at the end the following new sub-
12 section:

13 “(h) LIMITATION TO FUELS WITH CONNECTION TO
14 THE UNITED STATES.—

15 “(1) ALCOHOL.—No credit shall be determined
16 under this section with respect to any alcohol which
17 is produced outside the United States for use as a
18 fuel outside the United States.

19 “(2) BIODIESEL AND ALTERNATIVE FUELS.—
20 No credit shall be determined under this section
21 with respect to any biodiesel or alternative fuel
22 which is produced outside the United States for use
23 as a fuel outside the United States.

24 For purposes of this subsection, the term ‘United States’
25 includes any possession of the United States.”.

1 (B) CONFORMING AMENDMENT.—Sub-
2 section (e) of section 6427 is amended by redес-
3 ignating paragraph (5) as paragraph (6) and by
4 inserting after paragraph (4) the following new
5 paragraph:

6 “(5) LIMITATION TO FUELS WITH CONNECTION
7 TO THE UNITED STATES.—No amount shall be pay-
8 able under paragraph (1) or (2) with respect to any
9 mixture or alternative fuel if credit is not allowed
10 with respect to such mixture or alternative fuel by
11 reason of section 6426(h).”

12 (d) EFFECTIVE DATE.—

13 (1) IN GENERAL.—Except as provided in para-
14 graph (2), the amendments made by this section
15 shall apply to fuel produced, and sold or used, after
16 the date of the enactment of this Act.

17 (2) PROVISIONS CLARIFYING TREATMENT OF
18 FUELS WITH NO NEXUS TO THE UNITED STATES.—

19 (A) IN GENERAL.—Except as otherwise
20 provided in this paragraph, the amendments
21 made by subsection (c) shall take effect as if in-
22 cluded in section 301 of the American Jobs
23 Creation Act of 2004.

24 (B) ALTERNATIVE FUEL CREDITS.—So
25 much of the amendments made by subsection

1 (c) as relate to the alternative fuel credit or the
2 alternative fuel mixture credit shall take effect
3 as if included in section 11113 of the Safe, Ac-
4 countable, Flexible, Efficient Transportation
5 Equity Act: A Legacy for Users.

6 (C) RENEWABLE DIESEL.—So much of the
7 amendments made by subsection (c) as relate to
8 renewable diesel shall take effect as if included
9 in section 1346 of the Energy Policy Act of
10 2005.

11 **SEC. 405. MODIFICATION OF LIMITATION ON AUTOMOBILE**
12 **DEPRECIATION.**

13 (a) IN GENERAL.—Paragraph (5) of section 280F(d)
14 (defining passenger automobile) is amended to read as fol-
15 lows:

16 “(5) PASSENGER AUTOMOBILE.—

17 “(A) IN GENERAL.—Except as provided in
18 subparagraph (B), the term ‘passenger auto-
19 mobile’ means any 4-wheeled vehicle—

20 “(i) which is primarily designed or
21 which can be used to carry passengers over
22 public streets, roads, or highways (except
23 any vehicle operated exclusively on a rail or
24 rails), and

1 “(ii) which is rated at not more than
2 14,000 pounds gross vehicle weight.

3 “(B) EXCEPTIONS.—The term ‘passenger
4 automobile’ shall not include—

5 “(i) any exempt-design vehicle, and

6 “(ii) any exempt-use vehicle.

7 “(C) EXEMPT-DESIGN VEHICLE.—The
8 term ‘exempt-design vehicle’ means—

9 “(i) any vehicle which, by reason of its
10 nature or design, is not likely to be used
11 more than a de minimis amount for per-
12 sonal purposes, and

13 “(ii) any vehicle—

14 “(I) which is designed to have a
15 seating capacity of more than 9 per-
16 sons behind the driver’s seat,

17 “(II) which is equipped with a
18 cargo area of at least 5 feet in interior
19 length which is an open area or is de-
20 signed for use as an open area but is
21 enclosed by a cap and is not readily
22 accessible directly from the passenger
23 compartment, or

24 “(III) has an integral enclosure,
25 fully enclosing the driver compartment

1 and load carrying device, does not
2 have seating rearward of the driver's
3 seat, and has no body section pro-
4 truding more than 30 inches ahead of
5 the leading edge of the windshield.

6 “(D) EXEMPT-USE VEHICLE.—The term
7 ‘exempt-use vehicle’ means—

8 “(i) any ambulance, hearse, or com-
9 bination ambulance-hearse used by the tax-
10 payer directly in a trade or business,

11 “(ii) any vehicle used by the taxpayer
12 directly in the trade or business of trans-
13 porting persons or property for compensa-
14 tion or hire, and

15 “(iii) any truck or van if substantially
16 all of the use of such vehicle by the tax-
17 payer is directly in—

18 “(I) a farming business (within
19 the meaning of section 263A(e)(4)),

20 “(II) the transportation of a sub-
21 stantial amount of equipment, sup-
22 plies, or inventory, or

23 “(III) the moving or delivery of
24 property which requires substantial
25 cargo capacity.

1 “(E) RECAPTURE.—In the case of any ve-
2 hicle which is not a passenger automobile by
3 reason of being an exempt-use vehicle, if such
4 vehicle ceases to be an exempt-use vehicle in
5 any taxable year after the taxable year in which
6 such vehicle is placed in service, a rule similar
7 to the rule of subsection (b) shall apply.”.

8 (b) CONFORMING AMENDMENT.—Section 179(b) (re-
9 lating to limitations) is amended by striking paragraph
10 (6).

11 (c) EFFECTIVE DATE.—The amendments made by
12 this section shall apply to property placed in service after
13 December 31, 2007.

14 **SEC. 406. EXTENSION OF COAL EXCISE TAX LEVELS.**

15 Paragraph (2) of section 4121(e) (relating to reduc-
16 tion in amount of tax) is amended to read as follows:

17 “(2) TEMPORARY INCREASE TERMINATION
18 DATE.—For purposes of paragraph (1), the tem-
19 porary increase termination date is the first January
20 1 after the date of the enactment of this paragraph
21 as of which there is—

22 “(A) no balance of repayable advances
23 made to the Black Lung Disability Trust Fund,
24 and

1 “(B) no unpaid interest on such ad-
2 vances.”.

3 **SEC. 407. BULK TRANSFER EXCEPTION NOT TO APPLY TO**
4 **FINISHED GASOLINE.**

5 (a) **IN GENERAL.**—Subparagraph (B) of section
6 4081(a)(1) (relating to tax on removal, entry, or sale) is
7 amended by adding at the end the following new clause:

8 “(iii) **EXCEPTION FOR FINISHED GAS-**
9 **OLINE.**—Clause (i) shall not apply to any
10 gasoline which meets the requirements for
11 gasoline under section 211 of the Clean
12 Air Act.”.

13 (b) **EXCEPTION TO TAX ON FINISHED GASOLINE FOR**
14 **PRIOR TAXABLE REMOVALS.**—Paragraph (1) of section
15 4081(a) is amended by adding at the end the following
16 new subparagraph:

17 “(C) **EXEMPTION FOR PREVIOUSLY TAXED**
18 **FINISHED GASOLINE.**—The tax imposed by this
19 paragraph shall not apply to the removal of
20 gasoline described in subparagraph (B)(iii)
21 from any terminal if there was a prior taxable
22 removal or entry of such fuel under clause (i),
23 (ii), or (iii) of subparagraph (A). The preceding
24 sentence shall not apply to the volume of any
25 product added to such gasoline at the terminal

1 unless there was a prior taxable removal or
2 entry of such product under clause (i), (ii), or
3 (iii) of subparagraph (A).”.

4 (c) **EFFECTIVE DATE.**—The amendment made by
5 this section shall apply to fuel removed, entered, or sold
6 after December 31, 2007.

7 **SEC. 408. PARTICIPANTS IN GOVERNMENT SECTION 457**
8 **PLANS ALLOWED TO TREAT ELECTIVE DE-**
9 **FERRALS AS ROTH CONTRIBUTIONS.**

10 (a) **IN GENERAL.**—Section 402A(e)(1) (defining ap-
11 plicable retirement plan) is amended by striking “and” at
12 the end of subparagraph (A), by striking the period at
13 the end of subparagraph (B) and inserting “, and”, and
14 by adding at the end the following new subparagraph:

15 “(C) an eligible deferred compensation
16 plan (as defined in section 457(b)) of an eligible
17 employer described in section 457(e)(1)(A).”.

18 (b) **ELECTIVE DEFERRALS.**—Section 402A(e)(2) (de-
19 fining elective deferral) is amended to read as follows:

20 “(2) **ELECTIVE DEFERRAL.**—The term ‘elective
21 deferral’ means—

22 “(A) any elective deferral described in sub-
23 paragraph (A) or (C) of section 402(g)(3), and

24 “(B) any elective deferral of compensation
25 by an individual under an eligible deferred com-

1 pensation plan (as defined in section 457(b)) of
2 an eligible employer described in section
3 457(e)(1)(A).”.

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

7 **SEC. 409. REDUCING REIT HOLDING PERIOD SAFE HARBOR.**

8 (a) **IN GENERAL.**—Paragraph (6) of section 857(b)
9 (relating to income from prohibited transactions) is
10 amended—

11 (1) by striking “4 years” each place it appears
12 and inserting “2 years”, and

13 (2) by striking “4-year” each place it appears
14 and inserting “2-year”.

15 (b) **CONFORMING AMENDMENT.**—

16 (1) Subparagraph (A) of section 856(j)(4) (re-
17 lating to coordination with coordination with 4-year
18 holding period) is amended by striking “4 years”
19 and inserting “2 years”.

20 (2) The heading for paragraph (4) of section
21 856(j) is amended by striking “4-YEAR” and insert-
22 ing “2-YEAR”.

23 (c) **EFFECTIVE DATE.**—The amendments made by
24 this section shall apply to taxable years beginning after
25 the date of the enactment of this Act.

1 **SEC. 410. TIME FOR PAYMENT OF CORPORATE ESTIMATED**
2 **TAXES.**

3 Subparagraph (B) of section 401(1) of the Tax In-
4 crease Prevention and Reconciliation Act of 2005 is
5 amended by striking "114.75 percent" and inserting
6 "117.50".